Manitoba

ST. JAMES-ASSINIBOIA SCHOOL DIVISION

SPECIAL AUDIT

REPORT OF THE OFFICE OF THE PROVINCIAL AUDITOR

91-06975/

ST. JAMES-ASSINIBOIA SCHOOL DIVISION

SPECIAL AUDIT

REPORT OF THE OFFICE OF THE PROVINCIAL AUDITOR

INDEX

PAGE

I. Executive Summary

A. Enrolment 1
B. School Funds Expenditures 3

II. Enrolment

A. Introduction 5
B. Objectives and Scope 5
C. John Taylor Collegiate Observations and Recommendations

1. Organizing 7
   a. Enrolment Decisions 8
   b. Enrolment System Documentation 11
   c. Division of Duties 12
   d. Student Withdrawals 12
   e. Staff Training 14

2. Reporting and Controlling 15
   a. Enrolment Records 15
   b. Attendance Records 18
   c. Student Counts 19
   d. Enrolment Reports to the Division 21
   e. Enrolment Reports to the Department of Education and Training 21

3. Extent of Errors 22

4. Financial Consequences
   a. Provincial Funding 22
   b. School Division Ratepayer Funding 23

D. Sturgeon Creek Regional Secondary School and Other Senior High Schools in the St. James-Assiniboia School Division 23

1. Observations 23

E. St. James-Assiniboia School Division's Controls Over Enrolment Information 26

1. Organizing 27
2. Reporting and Controlling 28

F. Summary of Recommendations and Comments of Officials 29

1. John Taylor Collegiate 29
2. St. James-Assiniboia School Division 30
3. Department of Education and Training 33

III. School Funds Expenditures

A. Introduction 35
B. Objectives and Scope 36
C. Observations and Recommendations 36
D. Summary of External Auditors' Findings 37
E. School Fund Expenses 38

1. Food and Beverage Expenses 39
2. Cocurricular Expenses 41
3. Hospitality Expenses 41
4. Membership Fees 41
5. Travel Expenses 42
6. Other Expenses 42
7. Advances from School Funds 43

F. Specific Purpose Funds 43
G. Recoveries of Division Expenditures 43
H. Compliance with The Public Schools Act 44
I. Accountability and Reporting Relationships 44
J. Summary of Recommendations and Comments of Officials
1. St. James-Assiniboia School Division 46
2. Department of Education and Training 49

ST. JAMES-ASSINIBOIA SCHOOL DIVISION

SPECIAL AUDIT

REPORT OF THE OFFICE OF THE PROVINCIAL AUDITOR

EXHIBITS

Exhibit 1	Overview of the Enrolment Reporting Process at John Taylor Collegiate
Exhibit 2	Meetings and Interviews
Exhibit 3	Funding of Schools
Exhibit 4	Revised Grant Funding for the St. James-Assiniboia School Division - Based on Adjusted Enrolment for John Taylor Collegiate
Exhibit 5	Review of St. James-Assiniboia Senior High Schools' Enrolment Information
Exhibit 6	John Taylor Collegiate Financial Statement at June 30, 1990
Exhibit 7	External Auditors' Report on the Special Review of Cash Disbursements at John Taylor Collegiate for the Two Year Period from July 1, 1988 to June 30, 1990
Exhibit 8	External Auditors' Recommendations

ST. JAMES-ASSINIBOIA SCHOOL DIVISION

SPECIAL AUDIT

REPORT OF THE OFFICE OF THE PROVINCIAL AUDITOR

I. Executive Summary

A. Enrolment

In September 1990, the Secretary Treasurer of St. James-Assiniboia School Division informed the Department of Education and Training of inaccuracies in the student enrolment information for John Taylor Collegiate. For the 1988 and 1989 school years, the reported enrolment included students who were not attending the school. The senior administration of the school division initiated an internal review into the student enrolment information.

Enrolment misinformation can result in an incorrect payment of Provincial grant funds to the school division. As a result, the Minister of Education and Training requested the Office of the Provincial Auditor to undertake an audit of the enrolment problem at the school division. The objectives of the audit were:

- to determine the magnitude of the possible overpayment by the Province,
- to examine how the error occurred in the school division,
- to verify the accuracy of the student enrolment at John Taylor Collegiate,
- to assess the adequacy of the Province's control systems, and
- to identify what can be done to prevent similar problems in the future.

In undertaking this audit, we did not limit ourselves to these matters.

The senior administration of the division completed its internal review of the enrolment information for September 30, 1988, 1989 and 1990. The review determined that the enrolment reported for John Taylor Collegiate at September 30, 1988 should be reduced by 102 students from 1089 students to 987 students, and that the enrolment at September 30, 1989 should be reduced by 156 students from 1012 students to 856 students. As a result of the internal review, adjustments were made to correct the school's enrolment records and revised procedures implemented to improve the accuracy of the 1990 enrolment report. The Secretary Treasurer of the division reported that no adjustments were required to the 1990 enrolment report.

We concluded that the senior administration of the division performed an appropriate internal review of the enrolment information for John Taylor Collegiate as at September 30, 1988 and 1989. In our opinion, the adjustments reported to the Department of Education and Training for September 30, 1988 and 1989 are appropriate.

We identified some differences concerning the enrolment information for John Taylor Collegiate as at September 30, 1990. The differences involve 12 students and raise questions about the basis for reporting enrolment. This matter requires direction from the Department of Education and Training.

Student enrolment information is used in determining the Provincial education support grants and allocating resources to the school. Based on the revised total enrolment, the Department determined that the Provincial grant funds were overpaid by $24,400 as a result of the enrolment misinformation for the 1988 and 1989 school years. In our opinion, the overpayment is fairly determined in accordance with the support to education grant formula.

The financial effect on the school division's taxpayers has been much more significant. The school division's taxpayers pay the portion of the operating costs which exceeds the level of the Provincial grant funding. Therefore, additional operating costs to the division as a result of the enrolment misinformation mainly impact on the costs to the school division's taxpayers. Based on the division's resource allocation criteria and the revised actual enrolment figures, the division's Secretary Treasurer determined that the division incurred a maximum of $485,000 in additional operating costs over these two years as a result of the enrolment misinformation for John Taylor Collegiate. We checked the calculations for the additional costs incurred by the school division. However, we did not perform an audit of the school division's budget allocation process or the resource allocation criteria used in determining the school's staffing. Therefore, we do not express an opinion as to whether the additional costs incurred by the school division are fairly determined.

During the course of its internal review the division interviewed staff and the former Principal of John Taylor Collegiate. We noted conflicting statements regarding the information provided to the former Principal and his knowledge of the enrolment problem. We were unable to confirm the actual situation because of a lack of supporting documentation, except for a computer listing dated November 1989 which notes students who should have been removed from the school's enrolment system. This listing is being retained at the division. The listing indicates that a problem was identified in the fall of 1989 and suggests that the former Principal may have been aware of the problem. The matter of greatest concern is that the division's interviews indicate that in the Spring of 1990 over 100 students were identified as students who should have been withdrawn from the system. The students were then withdrawn. However, shortly after withdrawing these students, they were re-entered into the system. We did not receive any satisfactory explanation for this inappropriate action. The division's interviews with school staff suggest that a Vice-Principal was informed of concerns about the enrolment in June 1990. There is no other documentation available to substantiate that any member of the school's staff advised the former Principal, the Vice-Principals or division officials of any concerns about the enrolment before that date.

Documentation was not maintained or retained to provide an effective management trail for the enrolment activities for 1988 and 1989. Because of this deficiency, we cannot provide a definitive answer to how the entire problem occurred. However, the need to establish appropriate administrative procedures and controls, and better monitoring

processes, were contributing factors.

Principals have a duty to accurately report the school's enrolment. If uncertain about aspects of the enrolment systems and reporting processes, Principals have a responsibility to seek assistance. The observations generally reflect a need for formal administrative procedures and better controls to have been implemented by the school and approved by the school division.

In our opinion, there is a shared responsibility for ensuring that appropriate procedures and controls are in place for accurate enrolment reporting, but overall responsibility rests with the school division and the Province. The observations also reflect a need for better direction to have been provided for the administrative procedures and enrolment reporting processes, and better monitoring processes to have been implemented by the school division and the Province. The school division recently initiated a number of actions to strengthen controls over the enrolment records and reports.

We considered whether a similar problem existed in other senior high schools in the division and expanded our audit to include Sturgeon Creek Regional Secondary School. We found that Sturgeon Creek Regional Secondary School did not have a problem similar to that at John Taylor Collegiate.

Our audit identified opportunities to improve aspects of the administrative procedures, reporting processes and other matters to prevent similar problems from occurring in the future. After completion of our work in the St. James-Assiniboia School Division, we concluded that the audit provided a sufficiently broad perspective on enrolment practices to identify opportunities for improvement and make recommendations, some of which would be applicable Province wide. A summary of our recommendations by area of responsibility, together with comments of officials, is provided at the end of the enrolment section of this report.

B. School Funds Expenditures

During our special audit of enrolment at John Taylor Collegiate, the Minister of Education and Training, and the Office of the Provincial Auditor, were advised of concerns involving John Taylor Collegiate school fund expenditures. We decided to examine the school fund expenditures.

Schools maintain certain funds, known as school funds, which are administered by the school's Principal. School funds are used to pay for school activities and programs that are not paid directly by the school division, or are only partially paid by a grant from the school division. School funds are accounted for in separate accounts maintained at the schools.

The senior administration of the school division initiated an internal review of the school funds expenditures and engaged a firm of chartered accountants (external auditors) to conduct a special review of the cash disbursements of John Taylor Collegiate's school funds for the two year period from July 1, 1988 to June 30, 1990. Based on our

experience with public accountability expectations, we decided that our audit should go beyond the scope of the external auditors' review.

The objectives of our audit were:

- to review the external auditors' findings,
- to assess the appropriateness and compare the level of the school fund expenditures at John Taylor Collegiate in relation to Government practices,
- to assess compliance with the Public Schools Act,
- to evaluate the accountability for school funds and management reporting relationships, and
- to make recommendations to improve accountability and control.

The external auditors did not identify any transactions that would, in their opinion, warrant referral to legal counsel in order that charges of fraud or misuse of funds be considered. The auditors pointed out that school division policy gave the school's Principal complete jurisdiction over funds raised through activities at fund drives or cafeterias and allowed the school to set its own priorities for use of these funds. They concluded that this policy was very general, and provided insufficient guidance to the Principal on allowable and appropriate expenditures.

The external auditors also performed audit examinations of selected school funds in the St. James-Assiniboia School Division for the year ended June 30, 1990. As a result of their examinations, they noted several areas where controls and procedures should be strengthened for all schools in the division, and made recommendations on these matters.

Management is responsible for developing a system of internal control to safeguard and protect public funds and ensure appropriate accountability. An appropriate system of internal control also ensures that management and staff are not exposed to undue risk concerning the use of public funds. The Board of Trustees is responsible for setting policies and understanding the policies recommended by division administration to ensure their adequacy. The division administration is responsible for ensuring adequate controls and accountability are in place for the school funds. The Principal is responsible for ensuring control and accountability are maintained for the school funds. In our opinion, these responsibilities were not fulfilled to the extent expected.

In our view, there was a serious lack of control and accountability for public funds at John Taylor Collegiate. Division policy required that all disbursements of school funds be supported by supplier invoices or receipts. We determined that the policy was not followed at John Taylor Collegiate. Also, in our opinion the level and appropriateness of some of the expenditures from John Taylor Collegiate school funds reflected poor judgement. This lack of adequate control and accountability over school funds placed management and staff in an inappropriate risk situation.

We identified a number of opportunities to improve accountability and control over school funds. Our recommendations are summarized by area of responsibility, together with comments of officials, at the end of the school funds section of this report.

II. Enrolment

A. Introduction

In September 1990, the Secretary Treasurer of the St. James-Assiniboia School Division informed the Department of Education and Training of inaccuracies in the student enrolment information for John Taylor Collegiate. For the 1988 and 1989 school years, the reported enrolment included students who were not attending the school. The senior administration of the school division initiated an internal review into the student enrolment information.

Concerns existed with regard to reported enrolment figures for John Taylor Collegiate, at least from September 1988 through to September 1990. The senior administration of the division commenced its internal review of the enrolment information for John Taylor Collegiate for 1988, 1989 and 1990 and reported adjustments to the Department of Education and Training for the enrolment information as at September 30, 1988 and 1989. As a result of the internal review, adjustments were made to correct the school's enrolment records and revised procedures implemented to improve the accuracy of the 1990 enrolment report. The Secretary Treasurer of the division reported that no adjustments were required to the 1990 enrolment report. The senior administration is continuing its review of enrolment information prior to 1988.

Accurate student enrolment information is fundamental to funding the divisions' operations and staffing individual schools. Each year, school divisions are required to report the student enrolment as at September 30 to the Department of Education and Training. The reported student enrolment is used in determining the Provincial education support grants to the school divisions. Enrolment misinformation can result either in an overpayment or underpayment of Provincial grant funds to the school division. As a result, the Minister of Education and Training requested the Office of the Provincial Auditor to undertake an audit of the enrolment problem at the school division.

The objectives and scope of our audit and our observations and recommendations are set out below.

B. Objectives and Scope

The objectives of the audit were:

- to determine the magnitude of the possible overpayment by the Province,
- to examine how the error occurred in the school division,
- to verify the accuracy of the student enrolment at John Taylor Collegiate,
- to assess the adequacy of the Province's control systems, and
- to identify what can be done to prevent similar problems in the future.

In undertaking this audit, we did not limit ourselves to these matters.

Enrolment reporting is an important aspect of the management information systems in the St. James-Assiniboia School Division. The division uses the enrolment information for its planning and its resource allocations. Enrolment misinformation can result in additional operating costs to the school division, such as salary costs for too many staff, causing increased costs to the division's ratepayers. Consequently, we considered the financial consequences of enrolment misinformation on both the Provincial grants and the operations of the division.

Enrolment monitoring is difficult in the senior high schools because of the mobility of the students, the semester system and the individualized student timetables. The senior administration recognized this and undertook a review of enrolment information for the other senior high schools in the division.

In undertaking this audit, we considered whether the problem was isolated to John Taylor Collegiate. We concluded that the scope of our audit should include a review of the senior administration's findings, a review of enrolment information for another senior high school in the division, and a review of the division's controls over enrolment. We selected Sturgeon Creek Regional Secondary School for inclusion in our audit.

We also considered concerns noted from various sources, including Members of the Legislative Assembly, the news media, public servants and the general public.

During our enrolment audit, we reviewed several areas in the St. James-Assiniboia School Division, which are set out in this report under the following headings:

- John Taylor Collegiate,
- Sturgeon Creek Regional Secondary School and Other Senior High Schools in the St. James-Assiniboia School Division, and
- St. James-Assiniboia School Division's Controls Over Enrolment Information.

We also considered the adequacy of the Province's controls over enrolment information.

Concerns also were expressed about the enrolment information in other school divisions. After completion of our work in the St. James-Assiniboia School Division, we concluded that the audit provided a sufficiently broad perspective on enrolment practices to identify opportunities for improvement and make recommendations that would be applicable Province wide.

Our recommendations are summarized by area of responsibility, together with comments of officials, at the end of the enrolment section under the following headings:

- John Taylor Collegiate,
- St. James-Assiniboia School Division, and
- Department of Education and Training.

This report deals with several important factors in the enrolment problem. While this has created a longer report, we consider that each important factor should be addressed so that there could be a full understanding of the problems and corrective actions required.

Concerns about school funds expenditures at John Taylor Collegiate also came to our attention during the course of our enrolment audit. We decided to examine the school funds expenditures. They are discussed in a separate section of this report.

Our audit was carried out in accordance with public sector auditing standards, and accordingly included such tests and procedures as we considered necessary in the circumstances.

We examined John Taylor Collegiate's student enrolment records and enrolment system at the time of our audit. An overview of the enrolment reporting process is set out in Exhibit 1. We also examined the enrolment information reported to the Department of Education and Training for John Taylor Collegiate as at September 30, 1988, 1989 and 1990, and the Department's determination of the grant overpayment for 1988 and 1989.

During the John Taylor Collegiate enrolment audit, we had an extensive number of meetings and interviews with both division and school management and staff, and others. Exhibit 2 sets out the meetings and interviews.

We would like to express our appreciation for the cooperation and assistance of those involved.

C. John Taylor Collegiate Observations and Recommendations

1. Organizing

In order for a school to effectively manage any significant aspect of its operations, appropriate organizational directions must be issued. This includes developing clearly established administrative policies, procedures and documentation standards. Effective organizing includes:

- adequate documentation standards which would include documenting policies, guidelines, and instructions for significant aspects of the operations,
- appropriately assigned responsibilities for the school's management and staff,
- experienced managers and staff at the functional level to carry out the day to day operations of the school, and
- appropriate training programs to ensure staff have developed sufficient knowledge to handle their duties.

Proper organizing ensures that people interact, communicate and participate in operations and processes in ways which allow a school to perform effectively and achieve its objectives. If the organizing function is well executed then the school's policies and management information systems will be integrated to meet the division's information needs, producing a cohesive arrangement which supports an effective accountability process for the resources provided.

Our observations and recommendations concerning the organizing function are set out below, under the following headings:

- Enrolment Decisions,
- Enrolment System Documentation,
- Division of Duties,
- Student Withdrawals, and
- Staff Training.

a. Enrolment Decisions

The school division did not provide detailed guidance for student withdrawal decisions; and the Department of Education and Training did not provide guidance to establish a basic framework for enrolment reporting. In the absence of specific guidelines on these matters, a Principal is expected to use his experience and knowledge to make appropriate decisions regarding enrolment. If uncertain about withdrawals or enrolment reporting, a Principal has a responsibility to seek guidance regarding these decisions. For the 1988 and 1989 school years, the reported enrolment included students who were not appropriately withdrawn from the enrolment records. This was a major contributing factor to the enrolment misinformation.

Student withdrawal decisions are an important factor in enrolment reporting. The timing of the withdrawals can affect the division and school funding. For example, if the student is withdrawn before September 30, the division does not receive funding from the Province for that student. If the student is left on the system and included as an enroled student at September 30, the division receives funding for that student for the entire year. The division also uses enrolment information for determining the school's staffing and funding.

During our review we noted a number of opportunities to provide specific guidance that would ensure an appropriate and consistent basis for withdrawal decisions and enrolment reporting in the future.

Prior to the 1990 school year, the division did not provide detailed guidance for student withdrawal decisions, such as withdrawing students who have dropped out of first semester courses but are registered for second semester courses. Most students register for both semesters prior to the start of school in September. When a student drops out of the first semester courses, the student can be withdrawn from the enrolment records and, if the student returns, re-registered for the second semester; or the student can be left on the enrolment records in anticipation of the student's return. If the student doesn't return for the second semester, the school would have to identify and follow up the absence, and decide if the student should be withdrawn. This flexibility can make a significant difference in the reported enrolment figures.

Division officials informed us that the expected practice in the division is to withdraw students who leave in the first semester. A significant number of the adjustments to the reported enrolment at John Taylor Collegiate for 1988 and 1989 involves students who

were shown in the records with only second semester courses. These students were not appropriately withdrawn from the school's enrolment records.

To ensure that appropriate practice is followed in the future, the division recently reminded all division Principals that students who have dropped out of first semester courses should be withdrawn from the school's enrolment records and re-registered if they return in the second semester.

The school's attendance policy provides guidelines for the follow up of non-attending students, and to remove them from class after 13 absences. When a student has withdrawn from all courses, the student should be withdrawn from the enrolment system.

We were informed that in special situations non-attending students were left on the system. For example, if the student was under legal age, the school referred the matter to the division's Educational Support Services to see if the attendance officer could get the student back to school. Failing to do that, authorization to withdraw the student would be obtained. Also, students receiving assistance through Educational Support Services were kept on the system so they could continue receiving services. Runaways were also kept on the system, as long as parents were looking for the child. Because of the informal method of operations, the school did not maintain documentation indicating management decisions for not withdrawing students from the system. Therefore, we were unable to determine how many students were left on the system for these reasons.

The division should develop more rigorous guidelines for processing withdrawals to prevent similar problems in the future and ensure that all staff are fully aware of appropriate withdrawal procedures. We recognize that reasonable judgement needs to be exercised in assessing an individual student's circumstances and making withdrawal decisions. The guidelines could allow administrators to exercise judgement and, depending on the individual circumstances, make exceptions with an appropriately documented explanation.

Existing legislation and regulations do not define an enroled student. This leaves considerable latitude in the interpretation of an enroled student for enrolment reporting. Without a definition for an enroled student, it is not clear if an enroled student is a student who is registered and taking classes at the time enrolment is reported, or a student who is registered but who may not be taking classes at the time the enrolment is reported.

The significance of the September 30 enrolment reporting date also raises questions about enrolment reporting when a student is not in attendance at that date. For example, a student taking classes at the school may not be in attendance at the date of the enrolment report, because of an excused absence.

The Department should develop a clear definition of an enroled student for enrolment reporting to ensure that enrolment is reported on a consistent basis. Some examples where the definition of an enroled student would assist with enrolment reporting are provided below.

John Taylor Collegiate is on the semester system. Each year a small number of students may register for only second semester courses. These students would be registered, but not attending school on September 30. The Department should clarify whether these students should be reported as enroled students for Provincial grant funding. For September 30, 1988 and 1989, we were unable to determine how many students had registered only for second semester courses, because the school discarded the registration forms.

As mentioned previously, we identified differences involving 12 students who were not in attendance at September 30, 1990. Some of these students withdrew just prior to the September month end. The others simply were not attending the school at September 30. Most of these students were withdrawn from the school's enrolment records as of October 1, 1990.

The school considered these students to be enroled at the time of preparing the enrolment report because they were attending the school for part of September and were on the school's enrolment records. The school administration did not know their status when the report was prepared and included them on the report. Division officials informed us that this is the practice in the division. They also informed us that they understand this practice is followed by divisions throughout the Province.

Based on our review of subsequent information, we determined that these students did not return to the school after the enrolment was reported. We recognize that the status of certain students may be unclear at the time schools report enrolment. However, when subsequent information clarifies the status and indicates that the student stopped attending before September 30 and will not be returning, the school could advise the division of a change to the reported information; and the division then could advise the Department of Education and Training. This is not the present practice.

Division officials informed us that similar situations may have existed in prior years. In its internal review, the division adjusted the reported enrolment for John Taylor Collegiate where there was reasonable assurance that students had left the school prior to September 30.

Currently, enrolment reporting for grant purposes is treated the same as enrolment reporting for the school's administrative purposes. The school does not withdraw a student until it has completed its administrative process. This process involves a timeframe for following up non-attending students and processing withdrawals. This administrative timeframe can affect reported enrolment for grant purposes. Further direction on this matter is required from the Department of Education and Training.

Administrative timeframes for completing the schools' withdrawal process may vary among the school divisions. Departmental guidelines clarifying the basis for reporting enrolment would ensure that enrolment is reported on a consistent basis.

We recommend that the division develop more rigorous guidelines for student withdrawal decisions. We also recommend that the Department of Education and Training develop guidelines to establish a basic framework for enrolment reporting.

b. Enrolment System Documentation

The division's policies and procedures manuals do not provide sufficient direction on the key policies and procedures for the enrolment system. Without sufficient direction on the key policies and procedures, staff may not be fully aware of the division's enrolment withdrawal practices and may not perform appropriate procedures to ensure the accuracy of the enrolment records and reports. Appropriate documentation may have helped staff understand the division's enrolment withdrawal practices and ensured that procedures were in place to prevent or detect errors in the enrolment information.

The enrolment system documentation at John Taylor Collegiate mainly consisted of:

- users' manuals provided by the computer software supplier, and
- a file that has been developed over the years, showing various print screen selections for producing reports.

A major turnover of clerical staff occurred at the school in September 1988. Appropriate system documentation is useful for training new staff and would have helped the new staff to understand the enrolment system operations and the division's withdrawal practices. Also, Provincial authorization was extended in 1987 to allow the enrolment reporting process to be changed from using class lists certified by the teachers to using an overall school enrolment report certified by the Principal. The division adopted this process in 1988. In implementing the new reporting process, the division discontinued the teachers' certification of the student listings, without implementing a compensating control. Appropriate system documentation would have helped management assess the impact of the change on the system's critical controls.

Certain features of the enrolment system are common to schools in the division. Schools use the Columbia computer system for the enrolment records and submit standard monthly enrolment reports to the division. Each school, however, develops and maintains its own enrolment system. Responsibility for reporting accurate enrolment information rests, by division policy, with the individual school Principal.

This makes the effectiveness of the management controls in each school's enrolment system dependent on the administrative capabilities of that particular school's Principal and staff. Central direction on the key policies and procedures would ensure that all schools are aware of the key control features that should be established in their system. This is particularly important in the senior high schools where the individualized timetables, coupled with the semester system, add to the challenge of establishing an effective management system for enrolment reporting.

An individual school approach to these responsibilities can result in significant redundancy in developing system documentation. Overall there is a need for development of better documented common administrative practices and enhanced controllership in the division.

We recommend that the division develop its policies and procedures manuals for the enrolment system. The manuals should communicate the key policies and procedures for the enrolment processes. The policies and procedures should address the basic common systems but may be varied depending on the individual school's circumstances.

c. Division of Duties

We noted an opportunity for a better division of duties to provide a system of checks and balances over enrolment. A system of checks and balances with two senior officials involved in processing and reviewing the enrolment information may have identified concerns about the enrolment on a more timely basis.

At John Taylor Collegiate most of the office staff are involved in enrolment related activities. Besides the Principal, Vice-Principals are involved in following up student attendance; secretaries receive and process enrolment information; and a computer operator enters data into the student record system and updates students' timetables for dropped courses. With so many people involved in enrolment activities, it is important that the staffs' responsibilities and reporting relationships be appropriately assigned to ensure an effective division of duties to provide a system of checks and balances over enrolment.

In our opinion, it would be preferable to have one individual clearly designated with the administrative responsibility for maintaining the enrolment records and overseeing the enrolment processes at John Taylor Collegiate, with the Principal retaining overall responsibility for reviewing and approving the enrolment activities. This individual should be a senior official, such as a Vice-Principal, to ensure enrolment is given a sufficiently high profile in the school's activities and should be seen as the focal point in the school for these matters. This would tie-in the responsibility for the enrolment system and records with the Vice-Principal's attendance monitoring responsibilities. It would also ensure that two senior officials at the school are involved with the accuracy of the enrolment records.

We recommend that the school clearly assign the administrative responsibility for maintaining the enrolment records and overseeing the enrolment processes to a Vice-Principal, with the Principal retaining overall responsibility for reviewing and approving the enrolment activities.

d. Student Withdrawals

During 1988 and 1989, documentation was not maintained or retained to provide an appropriate management trail for the processing of the student withdrawal information. Because of this deficiency, we could not determine a definitive answer to how the entire problem occurred, but many students were not appropriately withdrawn from the system.

Students may withdraw in several ways:

- They may register for courses but not show up at school.
- They may inform the school that they intend to leave or transfer to another school.
- They may transfer to another school without informing the school in advance. The school would learn of the transfer when the receiving school requests the student's file.
- They may be absent from school and, on investigation, the school's staff would determine that the student will not be returning to school.
- They may drop courses until eventually they have dropped all of their courses.

An appropriate management trail was not maintained or retained for processing the student withdrawals information. Office staff learned of student withdrawals from the teacher, student, another school, attendance reports, or dropped courses recorded on the students' timetables. Withdrawals were identified and reported by memo, note, notation on the attendance report or on a verbal basis.

The school uses preprinted withdrawal forms for students who inform the school of their intention to withdraw. However, the majority of students who leave school simply stop attending. The school does not use a withdrawal form for these withdrawals. The teacher writes a note on the attendance card informing the office staff of the student's withdrawal. The school did not retain complete documentation of the withdrawal activities.

We were informed that the school used the following process. The head secretary made memo notes of students to be withdrawn. Each month she provided the Principal with the withdrawal information for his review. The Principal reviewed the materials and approved the withdrawals. There is no record of the withdrawal information that was given to the Principal. The computer operator was verbally informed of the students to be withdrawn. There is no record of the management decisions or directions for withdrawals. A computer transaction log was not produced. In 1988, there was no record kept of what was processed, management's approval of the processing, or when it was processed. The computer will accept withdrawals with any assigned date. Therefore, the withdrawal dates in the computer's student record files do not necessarily reflect the processing date. In 1989, the computer operator kept a manual list of the monthly withdrawals that were processed.

Standard administrative policies, procedures and forms should be developed to ensure the completeness, accuracy and timeliness of processing student withdrawals and an appropriate management trail for this process. An example of an appropriate process is set out below.

Standard withdrawal forms should be used to document all withdrawals. When the forms are prepared, they should be assigned a number and recorded in a control log. They should be submitted to the appropriate school official on a regular basis. The date of submission of the forms to the school official should be reflected in the log. The official should review, sign and date the forms indicating approval of the withdrawal, or an explanation of why the student is not to be withdrawn. The forms should then be sent to the computer operator to be entered into the student record file. The computer operator should initial and date the forms as evidence of processing. After the forms have been processed, an entry/withdrawal summary report (Columbia report 834) should be produced as a record of the computer processing. The report should be checked to the approved forms by a second person and signed to evidence the verification of the completeness and accuracy of the data processing. The control log should be updated to account for all forms, indicating the processing date or the decision not to withdraw the student. All data should be retained.

We reviewed the current directions for withdrawal processing. The school's current administration recently instructed staff to notify the Vice-Principal immediately when a student drops a course. The attendance card is to be submitted to the Vice-Principal with a communication as to the situation. The school then contacts the parents to make sure they are aware that the student is no longer attending the course. Staff now process the student withdrawals daily, as information is available, instead of monthly which was the previous practice.

During our examination of the student enrolment records we performed test checks of current students' attendance records and noted an instance where the school administration was not notified of a student's withdrawal from a course on a timely basis. Contrary to the school's policy, two weeks elapsed between the date that the student returned his books and withdrew from the course and the date that the office was notified to process the withdrawal and notify the parents. The current Principal informed us that he will remind staff again of the school's policy.

We recommend that the school division provide direction establishing standard administrative policies, procedures and forms to ensure the completeness, accuracy and timeliness of processing student withdrawals and an appropriate management trail for the process.

e. *Staff Training*

The Principal is responsible for staff training. However, certain key administrative functions, such as enrolment accounting and basic computer training for critical management processes, are important to both the division and the schools. This affords an opportunity for the division to participate in staff development. The division has provided a number of training sessions on the Columbia computer system to school staff over the years. However, the division should give increased emphasis to working with the schools in developing staff training programs for key administrative functions.

Basic training programs can help new staff acquire knowledge to appropriately handle their duties and are particulary beneficial for positions which experience a high staff turnover. There was a major turnover in the clerical staff at the school in September 1988. The new clerical staff received only limited training or no formal training at all on the Columbia computer system and enrolment accounting practices prior to taking over their duties. Knowledge of the enrolment system and division enrolment practices may have helped prevent or detect enrolment errors.

We recommend that the division give increased emphasis to working with the schools in developing staff training programs for key administrative functions which are important to both the division and the schools.

2. Reporting and Controlling

It is important for any organization to have an effective reporting and controlling process so that the operations can be properly managed. Effective reporting and controlling of the school's enrolment information is required to ensure an appropriate level of accountability for the resources provided. Two of the main functions for reporting and controlling the school's enrolment information are:

- the preparation and review of the monthly reports to the division on the enrolment statistics and changes in enrolment, and
- the preparation and review of the September 30 enrolment report to the Department of Education and Training.

Because reporting and controlling are directly concerned with the allocation of public resources and accountability for the resources provided, it is important to establish appropriate processes to ensure the accuracy of the reported information. The following aspects of the reporting and controlling function were not effectively in place.

a. Enrolment Records

In 1988 and 1989, the school did not have administrative procedures in place to effectively monitor the student enrolment records. The student enrolment records included a large number of students who did not have any courses. These students were reflected in the division's subsequent enrolment adjustments.

The September 30, 1988 enrolment was adjusted for 102 students who were not attending the school at September 30, 1988. Of the 102 students in the 1988 adjustment, 51 were carried forward into the next year's student enrolment records and also were included in the September 30, 1989 adjustment. These students were carried forward by the computer's roll forward feature and were included in the next year's student enrolment records; but they did not have any courses.

Each year a student record file is built by using the computer system's roll forward feature to bring forward the previous year's grade 10 and 11 student records in the current file, and by entering the current year's student registration data. The roll forward feature advances students into the next year's grade and rolls out students graduating from grade 12. The current year's registration data is entered into the new student record file from registration forms completed by both new and returning students.

Unless students are appropriately withdrawn from the system, the computer roll forward feature automatically carries student records forward into the next year's student record file. We were informed that the former Principal and other staff did not correctly understand the computer's roll forward feature and that the former Principal and other staff were not aware that these students were still in the student enrolment records because the students would not appear on any class list or have a timetable. We also were informed that the former Principal relied on the computer system.

We were informed that the former Principal and other staff had a different perception of what the computer process was doing. They thought it would put the previous year's academic records and attendance records in storage, and would create the new year's student enrolment records only from the registrations. However, this was not checked. We were informed that the school administration did not count the registrations because it seemed unnecessary since the student listing report was produced directly after the registrations were entered into the system. The enrolment problem would have been detected if registrations were counted and reconciled to the computer prepared student listing.

We also were informed that the former Principal counted the registrations for 1990, when he first became aware that there was a problem with the enrolment information, and found that the number of registrations varied from the number of students being shown on the enrolment records.

The division's interviews indicate that in the Spring of 1990 over 100 students were identified as students who should have been withdrawn from the system. The students were then withdrawn. However, shortly after withdrawing these students, they were re-entered into the system. We did not receive any satisfactory explanation for this inappropriate action.

It is important to confirm the validity of the roll forward procedure. Without this, students who are not registered at the school in the current year may be carried forward into the current year's student record file. The school administration should count the registrations and reconcile the new year's student record file to the registrations. The current school administration is doing this.

The school administration also should run the "course load by student report" (Columbia report 702), after the new student record file has been created, and review the report for students without courses. This procedure would identify students in the records who do not have any courses. When students without courses are identified in the records, the school administration should immediately contact the students to find out if they will be attending the school. This report should be run at regular times during the year to

determine whether the student enrolment record includes any students who have withdrawn from all of their courses.

It is important for the school administration to review management reports for unusual items. A student composite report is produced after student exams have been finalized. The report lists the enroled students with their courses and marks and may be used to identify unusual items for follow up and resolution. During 1988 and 1989, the composite reports showed students without any courses, and students with only second semester courses. Although these unusual items were apparent in the report, the school administration did not review and follow up these items on a timely basis.

We were informed that the student composite report was available to a number of different users. It was used by the guidance and resource teachers. Other teachers had access to it if they needed to look up student information. The secretary used it for preparing transcripts. Prior to the availability of computer terminals, the Vice-Principals used the report in dealing with students. The former Principal had access to it, but used the cumulative files which also provided information on student records. Each year the June composite report also was sent to the school division for use in preparing student transcripts.

The composite report provides the school administration with an opportunity to strengthen the procedures for monitoring the student enrolment records. Responsibility should be clearly assigned to review the composite report to identify unusual items in the student records and ensure appropriate action has been taken for these items. The current school Principal has assigned this responsibility to a Vice-Principal.

Opportunities are also available to utilize the computer to produce exception reports for monitoring the student enrolment records. The preparation of the "course load by student report", which was discussed earlier in this section, is an example of an exception report for monitoring student courses. Exception reports can also be used for monitoring students' attendance. Monitoring students' attendance plays an important role in ensuring withdrawals are made on a timely basis.

The school administration is required to run an attendance analysis at the end of January, and at the end of June, and submit these to the appropriate superintendent. While this assists in monitoring attendance, the school administration also can utilize the computer to produce a report on student absences to identify unusual items for follow up on a more timely basis. The school administration can define a number of absences in a particular period and run the "period attendance exceptions report" (Columbia report 551) to produce a listing of the students with an unusual number of absences which would warrant follow up. The report can be used as a monitoring tool to ensure that these students have been followed up, and withdrawals processed where appropriate.

We recommend that the school division administration develop its policies and procedures manuals to provide direction for monitoring the student enrolment records. The manuals should clearly define the documentation that should be retained for the performance of the monitoring procedures. We also recommend that the school administration strengthen the procedures for monitoring the student enrolment records. The school

administration should produce the "course load by student report", immediately after the new student records file has been created, and on a regular basis during the year, to monitor the records for students without courses. The school should also produce the "period attendance exceptions report" on a periodic basis to monitor the records for students with an unusual number of absences.

b. Attendance Records

During the 1988 and 1989 school years, the student attendance reports and records did not clearly indicate whether students were present at the school. In addition, the teachers' attendance reports and most of the teachers' daily attendance cards were not retained. These matters created a deficiency in the management trail for the reported enrolment.

Monitoring students' attendance is important for ensuring the accuracy of the student records. The student attendance records and reports should provide a clear record of the students' attendance to ensure that the student records reflect appropriate information. The source records for students' attendance should be retained to maintain an appropriate management trail for the student records.

The school administration uses the Columbia computer system for its computerized student attendance records. Teachers also maintain daily student attendance cards. While reviewing the computer attendance profiles for students in the enrolment records with no courses or marks, the senior administration of the division noted that these students seemed to have perfect attendance even though the students did not attend the school. Perfect attendance was indicated because no absences or lates were shown for the students. There were no absences or lates for these students because the students were not on class lists and, therefore, were not on the teachers' attendance reports.

The school did not retain the teachers' attendance reports. The attendance reports were discarded after processing. In addition, most of the daily student attendance cards which were maintained by the teachers were also discarded as school policy did not require that the cards be retained after the year was over. The division did not have a policy for retention of these records.

The division has taken steps to strengthen the attendance reporting procedures. Teachers have been instructed to record students present, in addition to recording late or absent on the student daily attendance cards. Teachers have also been instructed to keep their daily student attendance cards and turn them into school administration for storage at the end of the year. The school is to retain the cards for at least three years. These actions represent significant improvements to the attendance record keeping practices.

During our examination of the student enrolment records we performed test checks of the current students' attendance records. We noted an instance where a teacher was not following the established procedure for maintaining the daily attendance cards. We also noted that the teacher's attendance report was not completed appropriately. A student

had withdrawn from class and had not yet been removed from the attendance report. The teacher did not mark the student absent but left the attendance report blank for the student. The student's computer attendance profile incorrectly reflected that there were no absences or lates for the student in this class during the two week period.

While this may be an isolated incident, we recommend that the school's administration re-emphasize the division's directive on attendance record keeping and the appropriate procedures for reporting attendance.

c. Student Counts

Prior to 1988, student counts were performed by teachers to confirm the accuracy of the September 30 enrolment reports to the Department of Education and Training. These counts were discontinued for September 30, 1988 resulting in the loss of a major control in the enrolment reporting process. Schools should perform student counts to ensure the accuracy of the enrolment report to the Department of Education and Training. The counts provide assurance from the teachers, who are in direct contact with the students, that the students are attending the school.

In 1987, the Department of Education and Training informed the school divisions that they could submit computerized student listings with their enrolment reports. St. James-Assiniboia School Division adopted this method of enrolment reporting at September 30, 1988. A computerized student listing for the whole school was attached to the enrolment report. In implementing the new reporting process, the division discontinued the teachers' certification of the student listings, without implementing a compensating control, and changed to a different source of information for the enrolment report.

The discontinuance of the teachers' certification of the enroled students at September 30, 1988 resulted in the loss of assurance of the students' attendance, from persons having direct contact with the students. The certification of the enrolment information by the teachers was an important control feature in two respects:

- The teachers have direct contact with the students and, therefore, are able to provide assurance that the students are in attendance.

- The involvement of the teachers in the reporting process increases the number of persons looking at the enrolment information. It would be less likely that information which is reviewed and certified by many different teachers would contain a large number of undetected errors.

The enrolment report was signed by the Principal and was sent to the school division. There is a large volume of reports and supporting information to review for all the schools in the division. A member of the division's staff reviewed the enrolment report and the student listing, and signed the report on behalf of the Secretary Treasurer. The signatures reflect the approval of the reports, but cannot be expected to reflect assurance of individuals with first hand knowledge of the students' attendance at the school at the date of the report.

School administration should perform a detailed verification of the students at the date of the enrolment report to the Department, by having the teachers certify student lists. This would confirm the accuracy of the report. In senior high schools, where individualized timetables are used, this may require a system for assigning homerooms or using a specific class period.

The detailed verification of the students should be reconciled to the enrolment records, with appropriate explanations for any variances. The reconciliation of the counts to the enrolment records and the explanations for any variances should be submitted to the Principal and Secretary Treasurer, together with the September 30 enrolment report to the Department of Education and Training. This would provide them with assurance to support the enrolment report. The reconciliation would provide assurance that the students are attending the school and that the counts are in agreement with the records. The variance explanations would enable the officials to assess the reasons for any differences.

The senior administration of the school division re-instituted student counts, and a sign off by teachers as of September 30, 1990. This represents a significant strengthening of the control over the enrolment records. We consider this to be an appropriate action. However, documented procedures for performing and certifying the student counts, reconciling the counts and explaining any variances, and reporting to the division should be developed.

On page 10 we discussed some differences in the enrolment information for John Taylor Collegiate at September 30, 1990. Based on our review of information subsequent to the date of the enrolment report, we identified 12 non-attending students included on the September 30 enrolment. The administrative process regarding these students had not been completed at the time of the count. The school was uncertain about the status of these non-attending students but considered the students to be enroled because they had been attending for part of September and were on the school's enrolment records. When the teachers certified the lists of enroled students, these students were included on the lists. We indicated that further direction is required from the Department of Education and Training for reporting enrolment when the status of students is uncertain.

Teachers could be uncertain about certifying student lists when the status of non-attending students is not known to the school and when student withdrawals are in process. To ensure that the student counts and teachers' certifications are performed appropriately, direction should be provided on the procedures for the performing and certifying student counts and the policy for deleting students on the certified class lists.

We recommend that the division develop its policies and procedures manual to provide direction on the procedures for performing and certifying the student counts, reconciling the counts, explaining any variances, and reporting to the Principal and Secretary Treasurer.

d. Enrolment Reports to the Division

The school did not submit an enrolment report to the division for the changes in the enrolment between the closing of the student record file for one school year and the opening of the next year's student record file, and the changes occurring during the first month back to school. Considerable changes can occur in the school's enrolment during this period. Also, important enrolment functions are performed during this period, with the new student records file being created by using the computer's roll forward feature and the current student registrations being entered into the system. This was a blank period when the enrolment activities were not reported to the division. Without a report, the division does not have effective accountability for the enrolment activities during this period.

We recommend that schools submit an enrolment report to the division to provide a management trail and accountability report for the withdrawals and registrations processed between the closing of the student record file for one school year and the opening of the next year's student record file, and the changes occurring during the first month back to school.

e. Enrolment Reports to the Department of Education and Training

Documentation was not maintained to provide a management trail for the production of computer reports. As a result, we were unable to verify the date or basis used to reflect enrolment in the enrolment reports to the Department of Education and Training. The computer date on the reports may not necessarily be the processing date, because the computer system date can be set forward or backward to any date. For example, September 30, 1989, which is shown on the 1989 enrolment report, was a Saturday and likely would not have been the date that the report was produced. Also, when producing reports, the computer system requires staff to select from various screen options. The selections have a significant bearing on the nature of the information contained in the report. There is no record of the selections made.

The Principal should ensure that the student roster report is produced as close as possible to the September 30 reporting date. The report should be updated for any changes in the enrolment between the date the report was produced and September 30. This would ensure the report reflects the enrolment at September 30. The school should maintain a report log to record the dates that the computer reports are run, the selections made in producing the reports and the distribution of the reports. This would establish a clear management trail of the computer processing activities.

We recommend that the school division provide directions to the schools for maintaining a log for the production of computer reports.

3. Extent of Errors

The senior administration of the division completed its internal review of the enrolment information at September 30, 1988, 1989 and 1990. The review determined that the enrolment reported for John Taylor Collegiate at September 30, 1988 should be reduced by 102 students from 1089 students to 987 students, and that the enrolment at September 30, 1989 should be reduced by 156 students from 1012 students to 856 students. As a result of the senior administration's internal review, adjustments were made to correct the school's enrolment records and revised procedures implemented to improve the accuracy of the 1990 enrolment report. The Secretary Treasurer reported that no adjustments were required to the 1990 enrolment report. The Secretary Treasurer informed the Department of Education and Training of the enrolment adjustments and asked the Department to determine the grant adjustments based on the revised total enrolment.

We concluded that senior administration of the division performed an appropriate internal review of the enrolment reports to the Department of Education and Training for John Taylor Collegiate as at September 30, 1988 and 1989. In our opinion, the adjustments reported to the Department of Education and Training for 1988 and 1989 are appropriate.

On page 10, we discussed some differences concerning the enrolment information for September 30, 1990. These differences raise questions about the appropriate basis for reporting enrolment and require direction from the Department of Education and Training.

We also examined current student enrolment records to determine whether they appropriately reflected the students attending the school at the time of our audit. We obtained a composite report for the school's students. This report lists the students with their courses and marks. We reviewed the report for any unusual items, such as students with no courses or marks, and performed test checks of the students' attendance records to ensure that the students were attending the school. We concluded that the enrolment records appropriately reflected the students attending the school at the time of our audit.

4. Financial Consequences

a. Provincial Funding

The reported student enrolment is a factor used in determining the Provincial education support grant to the school division. Exhibit 3 explains how schools are funded. This Exhibit is a guide describing the funding of schools for January to June 1990. The guide was prepared by the School's Finance Branch of the Department of Education and Training.

Based on the revised total enrolment, the Department determined that the Provincial grant funds were overpaid by $24,400 over the 18 month period, as shown in Exhibit 4. We reviewed the Department's determination of the overpayment. In our opinion, the overpayment is fairly determined in accordance with the support to education grant formula. Resolution of the overpayment is under consideration.

b. School Division Ratepayer Funding

The financial effect of the enrolment misinformation on the school division's taxpayers has been much more significant. The school division's taxpayers pay the portion of the operating costs which exceeds the level of the Provincial grant funding. Therefore, additional operating costs to the division as a result of the enrolment misinformation mainly impact on the costs to the school division's taxpayers.

The school division uses the enrolment information for its resource allocations, including staffing individual schools. We asked the division's Secretary Treasurer to provide us with a determination of the additional costs incurred by the division as a result of the enrolment misinformation for John Taylor Collegiate. The Secretary Treasurer calculated that, based on the division's resource allocation criteria and the actual enrolment figures, the maximum additional operating costs incurred by the division as a result of the enrolment misinformation for John Taylor Collegiate for the 1988 and 1989 school years totalled approximately $485,000. These maximum additional costs included $450,000 for 10.39 staffing units at an average of $42,900 per staff unit, and $35,000 for operating supplies.

We checked the calculations for the additional costs incurred by the school division. However, we did not perform an audit of the school division's budget allocation process or the resource allocation criteria used in determining the school's staffing. Therefore, we do not express an opinion as to whether the additional costs incurred by the school division are fairly determined.

D. Sturgeon Creek Regional Secondary School and Other Senior High Schools in the St. James-Assiniboia School Division

The senior administration of the division undertook a review of enrolment information for the other four senior high schools in the division as at September 30, 1989 and 1990.

We reviewed the senior administration's findings to determine whether an enrolment problem similar to that at John Taylor Collegiate existed in the other senior high schools in the division, and also undertook an examination of the enrolment information for Sturgeon Creek Regional Secondary School.

1. Observations

Exhibit 5 provides a summary of the findings from the review of the senior high schools' enrolment information. The findings show that the other senior high schools did not have an enrolment problem similar to that at John Taylor Collegiate and that the accuracy of the enrolment information has improved. The improvement can be attributed to the actions taken by the senior administration of the division and the schools' administration to emphasize the need for accurate enrolment reporting.

We examined the current enrolment records at Sturgeon Creek Regional Secondary School. We obtained a composite report for the school's students and reviewed it for any unusual items. We also performed test checks of the students' attendance records to ensure that the students were attending the school. We concluded that the enrolment records appropriately reflected the students attending the school at the time of our audit.

We also examined the enrolment information reported to the Department of Education and Training for Sturgeon Creek Regional Secondary School as at September 30, 1989 and 1990 and identified some differences. We identified a difference of 23 students in the enrolment at September 30, 1989, and a difference of 5 students in the enrolment at September 30, 1990. The differences are explained below and have been drawn to the attention of school and division officials.

The school had an enrolment of 1050 students at September 30, 1989. The difference of 23 students for the September 30, 1989 enrolment involves the reduction of 44 students and addition of 21 students. Most of the students were in the Mature Upgrading program and were part time students. This results in a net reduction to the enrolment equivalent to 24.98 full time students.

The Mature Upgrading program goals are to improve adult literacy and raise the level of competency in English and Mathematics. This program presents unique problems for attendance administration and monitoring. Financial support, work and personal commitments can affect the students' continued attendance. Establishing contact with upgrading students often is very difficult because of their mobile nature.

There were two reasons for the difference pertaining to the reduction of 44 students from the reported enrolment:

- Sufficient assurance was not available to verify that 24 of the enroled students were attending the school at September 30, 1989.

- Twenty of the differences resulted from the timing of the school's administrative processes. One student registered for October but was included in the September enrolment. Seven of the students stopped attending the school in September and were withdrawn in October. The others stopped attending the school in September and were withdrawn over a longer timeframe, which indicates that some withdrawals were not processed on a timely basis.

  The difficulty in obtaining assurance for some of the enroled students indicates there was an opportunity to improve the documentation to provide a management trail for student enrolment. Changes were made in the procedures for maintaining the enrolment records subsequent to September 30, 1989. These changes have improved the management trail and the timeliness of withdrawal processing.

  The differences resulting from the timing of the school's administrative processes are similar to the differences discussed on page 10 for the September 30, 1990 enrolment at John Taylor Collegiate. The school's administration pointed out that there is a normal administrative timeframe of 13 absences required for identifying

non-attending students and processing withdrawals. They also pointed out that in some instances, because of special circumstances, the school may extend the normal withdrawal period.

The reasons for the differences pertaining to the addition of 21 students to the September 30, 1989 enrolment were:

- A class of 14 students was left off the enrolment report. When reporting enrolment, the school needs to report non-supportable students. A student is non-supportable when the student's total cost is paid by a source other than the school division. The school's administration said that they had not determined the financial responsibility for the course at the time the enrolment was reported and, therefore, did not include the students in the enrolment report.

- Seven other students were also left off the enrolment report. The school's administration said that some students register in upgrading courses and then decide to take academic courses. It is possible that some of these changes may have been missed.

The difference of 5 students for the September 30, 1990 enrolment involves the reduction of 6 students and the addition of 1 student. These are minor differences in relation to the total enrolment of 1143 students at September 30, 1990. For the 1990 enrolment, documentation was available in all instances where differences were identified. The reductions mainly result from students being double counted and are attributable to a misunderstanding of how enrolment information for special courses should be reported. Sturgeon Creek Regional Secondary School offers 26 different programs. Many of these are special programs not offered anywhere else in the Province.

The Department of Education and Training identified the double counts and made the adjustment. The adjustment indicates a need to clarify how enrolment information, particularly for special courses, should be reported on the enrolment forms. This supports the recommendation on page 10 that Provincial guidelines should be developed for enrolment reporting.

During our audit of the enrolment information, we noted a number of other observations.

Student counts, certified by the teachers, were re-introduced at September 30, 1990. This was a significant improvement in the enrolment controls. However, we noted variances between the teachers' certified class lists and the enrolment report at September 30, 1990, as explained below:

- Students were included on the certified class lists but were not shown on the enrolment report. These students had withdrawn after the class lists were produced but prior to the finalization of the enrolment report at September 30, 1990.

- Students were on the enrolment report but were not on certified class lists. Teachers instructing upgrading classes, and Canadian Forces Base satellite classes, were not instructed to provide certified class lists. Also, students who registered after September 14 were not included on the class lists.

These variances were handled appropriately in the reported enrolment. However, the observations indicate opportunities to clarify the procedures for the student counts and certification, and policies for adding and deleting students on the certified class lists. This supports the recommendation on page 20 that documentation should be developed to provide direction on the procedures for performing and certifying the student counts, reconciling the counts and explaining any variances.

Six students who were taking half of their courses as vocational courses at Sturgeon Creek Regional Secondary School and half of their courses at other schools in the division were included in the enrolment report for September 30, 1990 as half-time students. Department of Education and Training officials informed us that they can not reflect these half-time students in the funding determination and re-allocated them as full-time students at only one of the schools. The Department also noted that the school did not submit the report for the non-supportable students in 1989 or 1990. These observations again indicate an opportunity for the Department to clarify how the enrolment information should be reported on the enrolment forms. This supports the recommendation on page 10 that Provincial guidelines should be developed for enrolment reporting.

E. St. James-Assiniboia School Division's Controls Over Enrolment Information

Enrolment reporting is an important aspect of the management information systems in the St. James-Assiniboia School Division. Reported enrolment information is used in determining the Provincial support grants that are paid to the division. These grants are the major source of the division's funding. Enrolment information also is used for the division's planning and resource allocations, including staffing individual schools. Staffing costs are the most significant element in the school division's budget. The importance of the enrolment information in the financial operations and management decisions of the division, and the need to ensure appropriate accountability for the public funds provided to the division, places a responsibility on the division to ensure the accuracy of the enrolment information.

Principals have a duty to accurately report the school's enrolment. In our opinion, there is a shared responsibility to ensure that appropriate procedures and controls are in place, but overall responsibility rests with the school division. This level of responsibility is reflected in the division's organizational structure and enrolment reporting relationships.

In order for the division to effectively manage this important aspect of its operations, appropriate organizing, reporting and controlling processes must be in place at the division level.

1. Organizing

To ensure accurate enrolment reporting, appropriate organizational directions must be issued for the enrolment administrative procedures and reporting processes. This includes developing administrative policies, procedures and documentation standards. Effective organizing also includes ensuring appropriate training programs are provided for staff to develop sufficient knowledge to handle their duties.

The division recently issued directions for a number of important aspects of the enrolment system, including:

- the procedures for reconciling the monthly enrolment reports to the school's records,
- the procedures for recording students present for the attendance records at the schools,
- the retention of attendance records, and
- re-instituting teachers' certified student counts.

Some of these matters are documented in the division's manuals. These actions represent positive steps in establishing policies and procedures for the enrolment system.

We identified the following opportunities for the division to further improve aspects of these important processes:

- The division should continue to develop its policies and procedures manuals and standard forms for the enrolment system. The manuals should communicate the key policies and procedures for the enrolment processes. The policies and procedures should address the basic common systems but may be varied depending on the individual school's circumstances. The policies and procedures manuals should provide direction for:

    - making student withdrawal decisions,
    - establishing standard administrative procedures to ensure the completeness, accuracy and timeliness of processing student withdrawals,
    - reconciling the new year's student enrolment records,
    - monitoring the student enrolment records,
    - performing and certifying student counts, reconciling the counts to the enrolment records, explaining any variances and reporting the results to senior officials,
    - maintaining a log for the production of computer reports, and
    - preparing and submitting the monthly enrolment reports to the division.

- The division should give increased emphasis to working with the schools in developing staff training programs for key administrative functions which are important to both the division and the schools.

We recommend that the division take action on these matters as soon as practicable.

2. Reporting and Controlling

Effective reporting and controlling processes are required to ensure the accuracy of the enrolment information. At the division level, this requires adequate processes to monitor the schools' enrolment systems and evaluate the enrolment information, and to take timely corrective actions. These processes were not effectively in place with the result that significant enrolment misinformation at John Taylor Collegiate went undetected for two years.

The division depended on the Principal's signature to ensure the accuracy of the enrolment information. Schools' enrolment systems and records were not reviewed by the division. The enrolment information was not audited. The Secretary Treasurer's secretary would review the enrolment information and follow up any observations if something did not appear right.

The senior administration of the division has taken steps to strengthen the enrolment monitoring processes:

- The deputy superintendent is in charge of monitoring the enrolment information.
- The division developed new, more detailed, forms for the monthly enrolment reports which are now signed by two persons.
- The division is provided with a summary of the transactions processed in the school's enrolment records showing that the monthly enrolment report agrees with the school's records.
- The enrolment information is more widely distributed so that it is subject to broader review.
- The superintendents will perform spot checks on school enrolment.
- The teachers' certification of the class lists was re-instituted to ensure that the enrolment is verified by persons with direct contact with the students.

These actions represent a significant strengthening of the monitoring processes. We commented on two matters in this report which would further strengthen the monitoring processes. On page 20 we indicated that the reconciliation of the student counts to the enrolment records and the explanations for any variances should be submitted to the Principal and Secretary Treasurer, together with the September 30 enrolment report to the Department of Education and Training. This would provide them with assurance to support the enrolment report.

On page 21 we recommended that schools submit an enrolment report to the division to provide a management trail and accountability report for the withdrawals and registrations processed between the closing of the student record file for one school year and the opening of the next year's student record file, and the changes occurring during the first month back to school.

We also recommend that the division ensure processes are established to review schools' enrolment systems and records to monitor compliance with the division's policies and procedures.

F. Summary of Recommendations and Comments of Officials

Our audit identified opportunities to improve aspects of the administrative procedures, reporting processes and other matters to prevent similar problems from occurring in the future. Recommendations are set out below as guides to make improvements. However, alternative approaches can be taken. The recommendations are summarized by area of responsibility.

1. John Taylor Collegiate

We recommend that John Taylor Collegiate:

- clearly assign the administrative responsibility for maintaining the enrolment records and overseeing the enrolment processes to a Vice-Principal, with the Principal retaining overall responsibility for reviewing and approving the enrolment activities.

- strengthen the procedures for monitoring the student records file. The school should produce the "course load by student report", immediately after the new student records file has been created, and on a regular basis during the year, to monitor the records for students without courses. The school should also produce the "period attendance exceptions report" on a periodic basis to monitor the records for students with an unusual number of absences.

- re-emphasize the division's directive on attendance record keeping and the appropriate procedures for reporting attendance.

Comments of John Taylor Collegiate School Administration

The current Principal at John Taylor Collegiate informed us that:

- he will clearly assign administrative responsibility for the enrolment records and processes to a Vice-Principal.

- the school will implement the recommended procedures for reviewing the student records file.

- the school has emphasized the division's directive on attendance record keeping and the appropriate procedures for reporting attendance, by memo and at staff meetings. He also noted that processes are in place for the school and division administration to perform spot checks on the teachers' attendance records.

2. St. James-Assiniboia School Division

We recommend that the division:

- continue to develop its policies and procedures manuals and standard forms for the enrolment system. The manuals should communicate the key policies and procedures for the enrolment processes. The policies and procedures should address the basic common systems but may be varied depending on the individual school's circumstances. The policies and procedures manuals should provide direction for:

    - making student withdrawal decisions,
    - establishing standard administrative procedures to ensure the completeness, accuracy and timeliness of processing student withdrawals,
    - reconciling the new year's student enrolment records,
    - monitoring the student enrolment records,
    - performing and certifying student counts, reconciling the counts to the enrolment records, explaining any variances and reporting the results to senior officials.
    - maintaining a log for the production of computer reports, and
    - preparing and submitting the monthly enrolment reports to the division.

- give increased emphasis to working with the schools in developing staff training programs for key administrative functions which are important to both the division and the schools.

- along with the September 30 enrolment report to the Department of Education and Training, the division should obtain the reconciliations of the student counts to the enrolment records and the explanations for any variances.

- obtain an enrolment report to provide a management trail and accountability report for the withdrawals and registrations processed between the closing of the student record file for one school year and the opening of the next year's student record file, and the changes occurring during the first month back to school.

- ensure processes are established for reviewing schools' enrolment systems and records to monitor compliance with the division's policies and procedures.

Comments of St. James-Assiniboia School Division Senior Administration

The senior administration of the St. James-Assiniboia School Division has reviewed the Report of the Provincial Auditor, which deals with the unique problem faced by the Division this year resulting from enrolment misinformation respecting the 1988-89 and 1989-90 school years, as supplied by the former principal of John Taylor Collegiate.

In September of 1990, immediately on learning of the enrolment misinformation, the senior administration initiated an internal enrolment audit of John Taylor Collegiate and informed

Manitoba Education of its action and of its preliminary findings. The subsequent provincial audit, initiated by the Minister, was very much welcomed.

Both the Division's internal audit and the provincial audit presented similar findings:

1) Both audits founds that provision of enrolment misinformation was an aberration isolated to John Taylor Collegiate, and did not extend to the other high schools of the Division. (The provincial audit included one other high school besides John Taylor; the Division's internal audit included all five high schools.)

2) Neither audit could conclusively characterize the reasons why the misinformation had been supplied by the former principal of John Taylor Collegiate.

For two years prior to September, 1990, the internal audit found, appropriate enrolment accounting procedures had not been followed at John Taylor Collegiate. The Division's job description for principals, for example, charges the principal with the "...registration of pupils...and for the maintenance of up-to-date records." Division Policy JEE specifies that schools "...should know how many students are enroled and which students are in attendance at a given time."

Provincial legislation has for decades prescribed the method of enrolment accounting which has been in common practice across the province. Regulation 468/88, (1), for example, holds the principal accountable for "...the making of any returns required by the minister." Subsection (2) directs teachers to "...complete and deliver promptly the half-yearly, annual, and attendance reports to the principal, who shall compile and deliver the necessary reports to the secretary-treasurer."

What is significant from the foregoing is the long-standing and clear duty of teachers and principals to keep accurate attendance records and to submit reports as required by the minister. From the inception of the St. James-Assiniboia School Division in 1969, through the terms of several different administrations and school boards, no aberration in enrolment accounting and reporting occurred until the John Taylor incident twenty years later.

In light of both the Province's and the Division's lengthy and satisfactory experience (until John Taylor) with these prescriptions for enrolment accounting, the need for additional, more costly and specific directions and controls by the Division, as recommended in the Report, was not considered necessary. The need for detailed reporting instructions, stronger controls and more frequent audits have now of course been necessitated by the John Taylor incident, rather than by any generic long-standing deficiency in the previously-existing policy and procedure requiring correction.

The single incident occurred, and the senior administration responded directly by initiating a large number of specific and detailed procedures - now the most stringent in the Province - to govern enrolment accounting at the school level. Given the impact of the John Taylor events, the senior administration felt they could no longer rely on previous procedures, however widely practised, and introduced a number of additional directing and controlling measures, summarized below:

Sept. 26, 90 Revised multi-page month-end forms introduced to ensure more detailed enrolment reporting to central office on a monthly basis.

Oct. 3, 90 Re-assignment (from a secretary to a member of the superintendent's department) of the task of tabulating and verifying Division-wide monthly enrolment statistics.

Oct. 3, 90 Introduction of a spot enrolment audit system to be conducted by the Elementary and Secondary Superintendents.

Nov. 14, 90 Revised Operational Procedure # 12004 to include eleven new detailed procedures in the areas of:
- class attendance record procedures,
- enrolment records to be kept in safe keeping in perpetuity,
- computer enrolment records storage directions,
- specific directions,
- recording and tabulating of student admissions, withdrawals, transfers, etc.

We are pleased that the Auditor's Report acknowledges these efforts.

We also recognize that the Auditor's Report contains further worthwhile recommendations, and the senior administration will make procedural changes where required, and also recommend to the Board required changes in policy. In some cases it may be advisable to await further provincial clarification of certain matters before embarking on a unilateral implementation of a new procedure and policy. For example, we concur with the Report's contention that terms such as "enrolled" and "withdrawn" have never been very precisely defined, neither by the province nor by the Division. Since a common understanding of these concepts is fundamental to accurate and consistent enrolment reporting from all school divisions in Manitoba, it may be in the best interests of both Manitoba Education and the Division that a standard provincial definition is developed first.

On a related matter, the Report advises that the Division should provide more inservice training for staff working with the Columbia school administrative software, so that errors and omissions do not impede proper enrolment tracing. Over the seventeen years that the Columbia software has been in use in the Division, there has been ongoing inservice training for principals, vice-principals and secretaries on a regular basis. Also, an elementary principal, a secondary principal, and a secretary have been given special in-depth training in the Columbia software, and have been designated to provide "on call" support service to schools across the Division. This approach has appeared to function well. However, the recommendations in the Report will be carefully reviewed with a view to introducing further training as required.

Over all, we find the Report most helpful and instructive for the development of additional detailed enrolment reporting and enrolment auditing procedures which would help the Division prevent a repeat of the John Taylor aberration.

3. Department of Education and Training

During our audit we identified opportunities for the Department of Education and Training to improve controls over enrolment, as set out below.

We recommend that the Department of Education and Training:

- provide guidance on enrolment reporting. This should include a clear definition of an enroled student, and guidance for reporting:
  - students enroled for courses starting after September 30,
  - students who leave school prior to September 30 and are withdrawn after September 30, when the school clarifies their status,
  - non-attending students who are under legal age,
  - non-attending students arising from special situations, such as students with a prolonged illness, students experiencing serious personal or family problems, or students receiving assistance through the division's support services.

- review the date and timing for reporting enrolment. Schools may not be aware of the status of certain students at the date of the enrolment report. These situations become clearer based on information that is available after the date of the enrolment report. The Department should consider providing a period for schools to complete their administrative process for clarifying enrolment where a student's status is uncertain at September 30, or consider implementing a formal process for reporting enrolment adjustments.

- provide additional direction on completing and submitting the enrolment forms.

- re-emphasize the requirement for schools to perform student counts, certified by the teachers, at the date of the enrolment report. This procedure may have been discontinued with schools submitting computerized enrolment reports for the whole school.

- develop an approach for reviewing school divisions' enrolment policies and procedures. The Department recently sent a letter to the school divisions recommending that the divisions review their internal controls and procedures related to enrolment accounting to ensure the adequacy of such procedures. The Department should continue this initiative and take appropriate follow up action to ensure that the school divisions have given appropriate direction to schools on developing and maintaining their enrolment system and that appropriate processes are in place at the divisional level for monitoring the enrolment systems and information.

- assign responsibility for all aspects of enrolment reporting to a senior official. This would reinforce the significance of enrolment reporting and ensure this area is given appropriate attention.

- institute a process to obtain assurance of the propriety of enrolment information. As enrolment information is used in determining school division funding, it is important that reported enrolment be verified by audits conducted at the school level. There are alternative approaches that can be taken to instituting an audit process. One approach would be a Departmental audit process. Another approach would be to have the divisions' external auditors audit the enrolment information. The Department should review the alternatives and consider:

    - cost effectiveness,
    - an appropriate plan for audit coverage,
    - the need for a consistent audit approach, and development of standards for enrolment audits,
    - enrolment monitoring visibility and field presence, and
    - potential for the development of a base of knowledge of enrolment systems and reporting practices.

- include a certification on the superintendent's enrolment report similar to the certification on the school's enrolment report. The superintendent's report provides enrolment information for the whole school division and adds assurance to the enrolment reported for the individual schools.

We recommend that the Department take action on these matters as soon as practicable.

Comments of Department of Education and Training Officials

The Department of Education and Training concurs with the findings of this report and considers the recommendations to be of a constructive nature. Due to the complexities of enrolment reporting it is essential that actions taken by the Department be developed in consultation with the education community.

The Department of Education and Training will establish a working group with representation from the education community to examine:

- the definition of enrolled student
- requirement to perform student counts
- guidance required for reporting
- timing of enrolment reporting
- schools final enrolment report
- reconciliation of schools' enrolment records with departmental reports
- instructions/guidelines to be forwarded to school divisions on an annual basis

The enrolment working group will provide direction to the Department on the development of procedures detailing the process to follow for determining an "actual" enrolment report and a "projected" enrolment report. This working group will provide recommendations to the Department by July 1991, in order to have new policies in place for the 1991/92 school year.

The Department will develop procedures and/or guidelines on enrolment reporting for issuance to school divisions.

In conjunction with the working group the Department will undertake a detailed review of all Departmental enrolment forms to ensure that the documentation is clear and concise. This will include a review of the certification section of the superintendent's enrolment report to clearly and specifically state the responsibilities of the superintendent in the enrolment reporting process. The Department will develop detailed instructions to ensure that officials at the divisions and schools are made aware of the submission requirements. A senior Departmental official will be assigned the responsibility for enrolment reporting.

The Department agrees that it is necessary to ensure the propriety of enrolment information. In consultation with the education community the Department will examine alternative approaches in instituting an audit process.

III. School Funds Expenditures

A. Introduction

During our special audit of enrolment at John Taylor Collegiate, the Minister of Education and Training, and the Office of the Provincial Auditor, were advised of concerns involving John Taylor Collegiate school fund expenditures. St. James-Assiniboia School Division also was advised of the concerns. We decided to examine the school fund expenditures.

Schools maintain certain funds, known as school funds, which are administered by the school's Principal. The amount of school funds varies from school to school, depending on the grade levels and number of students in the school, and the activities and programs offered.

At John Taylor Collegiate, the school funds come from:

- grants provided by the school division to support specific school activities, including the band and staff professional development,
- fund raising activities,
- student fees for student council funds,
- locker and year book fees,
- the sale of various items, and
- other sources.

School funds are used to pay for school activities and programs that are not paid directly by the school division, or are only partially paid for by a grant from the school division. The school funds expenditures at John Taylor Collegiate amounted to approximately $150,000 for the year ended June 30, 1990.

School funds are accounted for in separate accounts maintained at the schools. They are not reflected in the school division's financial statements. In the St. James-Assiniboia School Division, each school prepares an annual statement of cash receipts, disbursements and cash balance. The Division has a policy of rotational audits of selected school funds. A copy of the audited financial statements for John Taylor Collegiate's school funds for the year ended June 30, 1990 is attached as Exhibit 6.

The senior administration of the division initiated an internal review of the school funds expenditures and engaged a firm of chartered accountants (external auditors) to conduct a special review of the cash disbursements of John Taylor Collegiate's school funds for the two year period from July 1, 1988 to June 30, 1990. To maintain audit efficiency, and avoid duplication of work, we coordinated our work with the special review being performed by the external auditors.

The external auditors' special review was undertaken to determine whether any transactions warranted referral to legal counsel for consideration of legal charges of fraud or misuse of funds. Based on our experience with public accountability expectations, we decided that our audit should go beyond the scope of the external auditors' review. The objectives and scope of our audit and our observations and recommendations are set out below.

B. Objectives and Scope

The objectives of our audit were:

- to review the external auditors' findings,
- to assess the appropriateness and compare the level of the school fund expenditures at John Taylor Collegiate in relation to Government practices,
- to assess compliance with the Public Schools Act,
- to evaluate the accountability for school funds and management reporting relationships, and
- to make recommendations to improve accountability and control.

We reviewed the audit findings and information gathered by the external auditors for the cash disbursements of John Taylor Collegiate for the two year period from July 1, 1988 to June 30, 1990. We also reviewed the school division's policies and procedures and the accounting system for school funds expenditures at John Taylor Collegiate. Our audit was carried out in accordance with public sector auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

C. Observations and Recommendations

Management is responsible for developing a system of internal control to safeguard and protect public funds and ensure appropriate accountability. An appropriate system of internal control also ensures that management and staff are not exposed to undue risk

concerning the use of public funds. The Board of Trustees is responsible for setting policies and understanding the policies recommended by division administration to ensure their adequacy. The division administration is responsible for ensuring adequate controls and accountability are in place for the school funds. The Principal is responsible for ensuring control and accountability are maintained for the school funds. In our opinion, these responsibilities were not fulfilled to the extent expected.

Division policy required that all disbursements of school funds be supported by supplier invoices or receipts. The policy was not followed at John Taylor Collegiate. The external auditors' report points out that the Principal had complete control over school funds and was provided little direction or guidance from the division regarding the use of these funds. Principals are expected to promote a philosophy of firm management with the funds entrusted to them. In our opinion, several of the expenditures at John Taylor Collegiate did not reflect this expectation. Also, in our view the level and appropriateness of some of the expenditures from John Taylor Collegiate school funds reflected poor judgement. The lack of adequate control and accountability over school funds placed school and division officials and school staff in an inappropriate risk situation.

In order to obtain a perspective on the extent of John Taylor Collegiate's unsupported payments and on the extent of expenditures for food and beverages for staff appreciation and other staff activities relative to other schools in the division, we asked the external auditor if the practices at John Taylor Collegiate were also found in the other schools in the division. Based on their experience in auditing the other schools, the auditor stated that the practices noted at John Taylor Collegiate were not common in the other schools in the division.

The school division has taken action based on recommendations from the external auditors to provide clearer guidance to school Principals regarding expenditures from school funds and to improve the accountability and control over the school funds.

Our report sets out additional recommendations to improve accountability and control over school funds. However, alternate approaches can be taken. The school division should assess the extent of the directions necessary for accountability and control over school funds, and the most practical approach for implementing our recommendations. A summary of our recommendations, together with comments of officials, is provided at the end of this section.

D. Summary of External Auditors' Findings

The external auditors reviewed the cash disbursements records from July 1, 1988 to June 30, 1990. They examined support for the payments, and assessed the reasonableness of the disbursements.

The auditors specifically listed 295 cheques totalling $91,000 made payable to various suppliers and individuals including cheques identified as staff advances or in payment of food and beverages. They reviewed these with the school division administration. Division administration interviewed four teachers and the office administrator at John

Taylor Collegiate regarding these cheques. The auditors reviewed the division's interviews.

The external auditors did not identify any transactions that would, in their opinion, warrant referral to legal counsel for consideration of legal charges of fraud or misuse of funds. They noted that the nature of certain transactions was documented by the Principal or Secretary on the cheque requisition at the time of issue but was not ultimately supported by supplier invoices or receipts. The additional explanations obtained for these items confirmed the original expenditure.

The auditors pointed out that school division policy gave the school's Principal complete jurisdiction over funds raised through activities at fund drives or cafeterias and allowed the school to set its own priorities for use of these funds. The auditors concluded that this policy was very general, and provided insufficient guidance to the Principal on allowable and appropriate expenditures.

The auditors also noted that several significant changes have since been made to the school division's policies and procedures to improve accountability and control over the school funds and to provide additional guidance to school Principals regarding use of school funds. We consider the changes to be appropriate.

A copy of the external auditors' report on the special review of cash disbursements at John Taylor Collegiate for the two year period from July 1, 1988 to June 30, 1990 is attached as Exhibit 7.

Also, as a result of the external auditors' examinations of selected school funds in the St. James-Assiniboia School Division for the year ended June 30, 1990, they noted several areas where controls and procedures should be strengthened for all schools in the division. They recommended that:

- all staff should be required to submit expense reports, complete with copies of receipts, to clear advances received,
- Principals and Vice-Principals should be required to sign an annual declaration of their understanding of school policies and operating procedures, and
- division management should improve the follow-up of reported deviations in operating procedures.

A copy of the external auditors' recommendations is attached as Exhibit 8.

E. School Fund Expenses

Division policy required that all disbursements of school funds be supported by supplier invoices or receipts. The policy was not followed at John Taylor Collegiate. The expenditure of school funds must be adequately supported by appropriate documentation to ensure effective accountability and control over school funds.

We reviewed the external auditors' analysis of the 295 specifically listed cheques for the two year period from July 1, 1988 to June 30, 1990 and the division's interviews with staff. The auditors' analysis included explanations for the payments and indicated whether the payments were supported by supplier invoices or receipts.

Our observations and recommendations are set out below.

1. Food and Beverage Expenses

Payments for food and beverages were not always supported by appropriate documentation. The level of expenditures for food and beverages for staff appreciation and other staff activities also was considerably more generous than is allowed by Provincial Government policy.

The school division did not have a formal policy for the level of expenditures that could be incurred for staff appreciation, for food and beverage costs for staff meetings, including breakfast, lunch and dinner meetings, or for payment for alcoholic beverages from school funds.

Of the 295 cheques totalling $91,000, $20,500 was expended for food and beverages, of which $8,150 was advanced to staff and was not supported by supplier invoices or receipts.

The $20,500 expended for food and beverages included $11,860 for staff appreciation events and staff meetings. These events included:

- Spring and Fall barbecues,
- Christmas parties,
- dinners and parties for band directors and coaches,
- breakfast, lunch and dinner meetings, and
- refreshments after meetings and events.

These events were held at various locations including the school, restaurants, and the homes of staff. Several of the expenditures included the purchase of alcoholic beverages.

The level of expenditures for food and beverages for staff appreciation and other staff activities is considerably more generous than is allowed by Provincial Government policy. In addition, expenditures of public funds for alcoholic beverage purchases for staff events is contrary to Provincial practice. In our view, it is inappropriate in the school's environment also. We consider the Provincial Government policy to be a reasonable standard to assess the appropriateness and level of expenditures for activities funded by public monies.

The school division recently took action to establish policies for staff appreciation and for payment for alcoholic beverages from school funds. The division established a policy limiting staff appreciation to $20 per staff unit per year, and prohibited the use of school and division funds for purchasing alcoholic beverages. In the future, if alcoholic beverages are provided at a school or division sponsored staff function, they must be on

a cash bar basis only.

We consider the new policies to be appropriate. In addition, we recommend that the division consider establishing a policy for expenditures for breakfast, lunch and dinner meetings.

Some examples are set out below of staff appreciation events that were paid out of John Taylor Collegiate school funds:

- Two cheques totalling $200 were issued to a staff member in April 1989 for food and refreshments. Receipts were not submitted to support the expenditures. The division's interviews indicated that the payments were for a "thank you" party that was held at a staff member's home for all staff involved in the school's musical. The staff member told the division that 25 to 30 staff were in attendance ($6.50 to $8.00 per person).

- A staff member was reimbursed $130 in June 1989; $90 for alcoholic beverages which was supported by a receipt, and $40 for other supplies which was not supported by receipts. The division's interviews indicated that a band directors' appreciation dinner was held in a staff member's home. Spouses were in attendance. The division's interviews and the documentation for the payment did not indicate the number of people in attendance.

- A division band directors' dinner was held in February 1990 with 34 guests in attendance. This event cost $960 as follows:

  - food $460 ($13.50 per person), and
  - alcoholic beverages and corkage $500 ($14.70 per person).

  We were informed that the former Principal of John Taylor Collegiate acted as coordinator for this event on behalf of the school division. The division's interviews indicated that the food and corkage costs were claimed at the division's office.

- A band directors' dinner was held at a restaurant in June 1990. A staff member paid for the dinner with a charge card and was reimbursed $500. The charge card receipt was attached to the cheque requisition as supporting documentation for the payment. The charge card receipt did not indicate the details of the expenses. A copy of the restaurant bill was not included.

  The division's interview with the staff member did not identify the number of people in attendance. The interview did note that the school recovered $200 from the division and $50 each from the other four high schools in the division. The remaining $100 was covered out of John Taylor Collegiate school funds.

2. Cocurricular Expenses

Payments for cocurricular expenses were not supported by appropriate documentation. The school paid $2,080 for cocurricular activities such as coaching sports teams, supervising band concerts and operetta's and helping with fund drives. The division's policy for cocurricular expenses allowed the Principal to grant amounts to staff members for reimbursement of personal expenses.

The school division recently revised its cocurricular expenses policy. The revised policy states that cocurricular expenses can only be charged to the Staff Cocurricular Expenses Account and are funded by a grant from the school division and an amount allocated from school funds at the discretion of the Principal. Payments from this account toward expenses incurred by staff members in the course of their supervision of cocurricular activities is restricted to travel and car expenses, meals, accommodations, and baby-sitter costs. Payment is made on the basis of expense vouchers submitted, or as a block payment with the staff member signing a receipt for the payment and acknowledging that the monies received cover part of the expenses incurred in relation to the activity over the course of the year. Expense vouchers are not required if the staff member signs the receipt.

We consider the revised policy to be an improvement. However, while the policy allows for payment of specific expenses, it does not establish allowable rates for reimbursement of the specific expenses or require staff to provide support for the expenses. Accountability is not achieved when support is not provided for specific expenses. Payments of cocurricular expenses which are not supported by receipts may be considered taxable benefits to employees that should be included on the employee's T4. We recommend that the division clarify the tax implications of cocurricular payments which are not supported by expense receipts.

3. Hospitality Expenses

The school advanced $1,190 to staff for hospitality expenses at various school events. The hospitality expenses were not supported by supplier invoices or receipts. Details of the expenses and the number of people attending the hospitality events were not provided.

The division does not have a policy for hospitality expenses paid from school funds. We recommend that the division establish a policy for hospitality expenses and the documentation required to provide an accountability for these expenses.

4. Membership Fees

The school disbursed $450 for the former Principal's membership fees in the Manitoba Association of Principals. Payment of membership fees from school funds may not be appropriate where membership fees are tax deductible, or where membership is primarily of interest to the employee as an individual. The division did not have a policy for the

payment of membership fees.

The division recently established a policy for payment of membership fees from school funds. The policy states that expenditures for staff memberships in professional organizations can only be charged to the school's Professional Development Account and must be approved by the school's Professional Development Committee. In addition, such expenditures shall not include memberships in associations or unions which are income tax deductible.

We consider the policy to be appropriate.

5. Travel Expenses

The school advanced $6,990 to staff for travel and out-of-pocket expenses while accompanying students on various trips. Of this amount only $440 was supported by receipts and $6,550 was not supported. Some teachers were advanced funds for hotel and other expenses while travelling with students and some of the payments were per diem payments to staff. The division does not have a policy for travel expenses or for per diem rates paid from school funds.

As an example, three of the school's teachers accompanied the school band on a two week European trip. They each received $500 to cover their out-of-pocket expenses. One teacher also received a $500 emergency fund. The teachers were not required to support their expenditures with receipts. The division's interview indicates that the teacher spent the $500 emergency fund on food and refreshments for the supervisors on the trip.

We recommend that the division establish a policy for travel expenses and for per diem rates. The division has a policy for travel on division business and may want to adopt this policy at the school level.

6. Other Expenses

The school funds expenditures included certain payments that may be perceived as personal expenses or where there could be a perception of conflict of interest. The division does not have a policy for expenditures of school funds in potentially sensitive situations.

The division determined that the former Principal made two payments totalling $45 from the school funds for the purchase of hockey pool tickets. Although the amount involved is small, in our opinion, the expenditures should have been avoided.

At times, the school hires students to perform various services. Two payments from school funds totalling $200 were paid to a member of the Principal's family for services provided to the school. Because these payments were requisitioned and approved by the Principal, there is a perception of nepotism involving these payments. Such situations should be avoided.

We recommend that the division develop a policy prohibiting the use of school funds where payments may be perceived as being for personal expenses or where there could be a perception of conflict of interest.

7. Advances From School Funds

School division policy required that all disbursements of school funds be supported by supplier invoices or receipts. However, staff received advances from school funds for various activities but were not always required to submit documentation supporting the expenditures. This lack of accountability places school and division officials and staff in an inappropriate situation.

As an example, a teacher was advanced $800 from commissions made on Safeway certificates sold during a fund drive. We were informed that these funds were to be used for track and field activities. The teacher was not expected to account to the school administration for the expenditure of these funds and did not provide supplier invoices or receipts to support the expenditures.

Procedures and standard forms should be developed to ensure that teachers and other staff are held accountable for their advances and that funds are spent for the purpose intended and in accordance with division policy.

We recommend that the division develop procedures and standard forms for accounting for advances.

F. Specific Purpose Funds

Schools hold events to raise funds for specific student and school activities. These are specific purpose funds. Under division policy, any unexpended funds at the end of the year are transferred to the general school funds surplus which can be used in subsequent years for any school activity. This policy may be inappropriate where funds have been raised through fund raising activities for specific purposes.

We recommend the division review the need to maintain separate fund accounting for specific purpose funds.

G. Recoveries of Division Expenditures

We were advised that some schools pay certain expenditures from the division budget and that recoveries associated with these expenditures go into the school funds. For example, some schools purchase materials out of the division's budget for industrial shop courses; and recoveries of material costs from the students go into the school funds. Recoveries of expenditures made from division funds should go back into the division budget to offset the associated costs. We did not review school fund revenues and, therefore, did not determine the extent of this practice. Trustees should review this matter

to ensure that an appropriate practice is followed.

H. Compliance with the Public Schools Act

Section 56(5) of the Public Schools Act states that "school funds referred to under subsection (4) do not include student council funds". This indicates that the student council funds should be maintained as a separate fund, and not form part of the school funds. The division's administrative practice, however, is to transfer any surplus or deficit of student council funds at the end of the year into the school funds. Therefore, any student council funds surplus is included in the subsequent year's school funds and can be spent for purposes other than student council activities.

We recommend that the school division clarify whether this practice complies with the intent of the Act and determine whether the school has a liability for any surplus student council funds which have been transferred to the general school funds. This may be pursued with legal counsel.

I. Accountability and Reporting Relationships

The Public Schools Act provides the authority for the school funds. The Act is administered by the Department of Education and Training and confers certain authorities on the school Boards and school Principals. Appropriate processes should be in place to provide effective accountability for the authorities conferred under the Act. We noted opportunities to strengthen the accountability processes, as set out below.

Section 56(4) of the Public Schools Act states that "notwithstanding any other provision of the Act, the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend moneys to be known as "school funds" for the purposes of the school". The Act establishes an accountability relationship between the Board, which is responsible to establish the rules for the school funds, and the Principal, who is empowered with the authority to administer the school funds. An effective accountability relationship requires a process to report upon the manner in which the delegated responsibility has been discharged.

Reporting and accountability processes are in place in the St. James-Assiniboia School Division. The schools submit a monthly school funds financial statement to the division office. Also, external auditors perform audits of the school funds on a rotational basis. In addition, the division recently introduced a policy requiring an annual audit by the Manager of Business and Finance of all school funds and an audit of school funds in the spring of the year when a Principal is leaving the school due to transfer, retirement or resignation. We were informed that the Finance Facilities Committee of the Board is provided with the school fund financial statements, together with the external auditors' management letter and the Principal's response to any recommendations. We were also informed that school fund financial statements are available at the schools for public review. However, we noted some opportunities to improve the accountability processes.

Our review of the external auditors' recommendations indicated that the school division did not perform any follow up to ensure appropriate actions were taken at the school to address recommendations in the external auditors' management letter. As a result, reported deficiencies remained unresolved. Although the Principal provided a response to the recommendations in the external auditors' management letter, the implementation of the recommendations was reviewed only when the external auditors visited the school for the next audit.

The division has now taken steps to improve the follow up on the actions to address recommendations. The division superintendents will be provided with a copy of the external auditors' management letter, and the Principal's response. They will review the actions taken as a part of the Principal's performance evaluation.

We noted an opportunity to improve the timeliness of the follow up process. The Principal's response should include a plan for corrective actions. While the results of the follow up may be considered in the Principal's evaluation, in our opinion, the timing of the follow up should be tied to the Principal's plan, and not to the performance evaluation.

We recommend that the division establish a process to ensure a timely follow up and report on the actions taken to address recommendations for improvements over school funds.

The school funds financial statements provide an accountability for the receipts and expenditures of the school funds. However, by themselves the financial statements do not provide sufficient information to assess the nature and level of the expenditures or compliance with division policies. Consequently, the Trustees could not determine from a review of the financial statements whether good judgement was exercised with the appropriate utilization of public funds.

To improve accountability reporting, additional information should be provided to assist in reviewing the financial statements. Such additional information should be provided in a report from management accompanying the financial statements, or by revising the financial statements to include more detailed information. This could include information on unit costs, where appropriate, or disclosing expenditures by classifications which better meet the Trustees' needs. For example, disclosure of the amounts expended for staff appreciation and professional development should clearly demonstrate compliance with the division policies for these items and readily provide information to enable the Trustees' to assess the level of these expenditures.

We recommend that the division expand or supplement the information in the financial statements.

The Public Schools Act provides the authority for the school funds and is administered by the Department of Education and Training. This places a responsibility on the Department to ensure that appropriate processes are in place to achieve effective accountability for school funds.

We recommend that the Department of Education and Training ensure that appropriate policies and procedures are in place in school divisions for accountability and control over school funds. We also recommend that the Department work with the school divisions to ensure that appropriate accountability systems have been established for school funds. The school funds should be subject to rotational audit with financial statements available for public review.

J. Summary of Recommendations and Comments of Officials

Recommendations for improvements over school funds have been made throughout this section of the report. They are summarized below by area of responsibility.

1. St. James-Assiniboia School Division

We recommend that the school division:

- establish a policy for expenditures for breakfast, lunch and dinner meetings.
- clarify the tax implications of cocurricular payments which are not supported by expense receipts.
- establish a policy for hospitality expenses and the documentation required to provide an accountability for these expenses.
- establish a policy for travel expenses and for per diem rates.
- develop a policy prohibiting the use of school funds where payments may be perceived as being for personal expenses or where there could be a perception of conflict of interest.
- develop procedures and standard forms for accounting for advances.
- review where there is a need to maintain separate fund accounting for specific purpose funds.
- clarify whether the practice of transferring the student council funds surplus at the end of the year into the general school funds complies with the intent of Section 56(5) of the Public Schools Act. The division also should clarify whether the school has a liability for any student council funds surplus which has been included in the general school funds.
- establish a process to ensure a timely follow up and report on the actions taken to address recommendations for improvements over school funds.
- expand or supplement the information in the school funds financial statements.

In addition to these recommendations, Trustees should review cost recoveries which may be included in school funds where the related expenditures are paid from the division's budget.

Comments of St. James-Assiniboia School Division Senior Administration

The senior administration of the St. James-Assiniboia School Division have reviewed the sections of the Report of the Provincial Auditor dealing with the financial operation of school funds by the former principal of John Taylor Collegiate, noting the Report corroborates the findings of a parallel audit conducted by the Division's accountants, Price Waterhouse. Failure to follow prescribed procedures, inappropriate expenditure of school funds, and questionable judgement regarding financial matters were major problems brought to light by these audits. The senior administration were alarmed that Division policies had not been followed, and that poor judgement had been exercised in the disbursement of school funds.

A brief overview of the Division's internal auditing activities during this time is appropriate:

Sept. 25 & 26, 1990	Responding to concerns arising from the Division's internal enrolment audit at John Taylor Collegiate, the senior administration initiated an internal spot audit of the school's finances as well.
Oct. 1 or 2, 1990	Further to this internal spot audit, the senior administration requested that the Division's chartered accountants, Price Waterhouse, audit John Taylor's school-fund transactions for 1989-90. (Since 1983 the Division has followed a practice - we believe the first and still the only Manitoba school division to do so - of commissioning external chartered accountants' audits of school fund accounts, on a rotating basis.)
Nov. 27, 1990	In response to an anonymous letter alleging financial irregularities, the senior administration further requested Price-Waterhouse to analyze all John Taylor cheques and disbursements for two years, from June 1, 1988, to June 30, 1990.
Jan. 28, 1991	The final report for the Price Waterhouse two-year special audit was submitted. It identified a number of inappropriate procedures, particularly that a significant number of disbursements were not substantiated by voucher, invoice, or receipt. This report did not identify transactions which, in the opinion of the auditors, warranted referral "...to legal counsel in order that charges of fraud or misuse of funds be considered."

The provincial audit Report goes further than the Price Waterhouse opinion by suggesting that principals need direction and defined limits when it comes to the disbursement of school funds in the payment of staff expenses, staff honoraria, staff conference registrations, membership fees, and staff recognition functions.

Prior to the John Taylor incident, the Division's major policies and procedures which governed the management of school funds were as follows:

a) The Division's principals' job description charges principals with "planning for and control of funds generated by the school"

b) Division Policy DIA provided a number of specific directions regarding school funds, including:

- the responsibility for "...the administration of a system of accounting for all monies from student activities..."
- a series of directions regarding the safekeeping of funds
- the requirement that "...receipts should be written for all monies received..."

c) Division Policy DIC requires schools to submit financial statements twice a year.

d) Division Policy DIE mandates that a school's accounts will be audited "once every two years" by the Secretary-Treasurer or an external audit.

e) Operational Procedure # 01003 specified "...that no cheque should be written without adequate back-up..."

Space does not permit a complete listing of all the Divisional directives that were in place before the John Taylor incident. (Operational Procedures # 01101 through # 04104, for example, run in excess of twenty pages.) Suffice it to say that directives were in place.

The audit reports given to principals following school-fund audits (noted above) provided additional specific direction regarding proper operation of school funds. Indeed, the former principal of John Taylor, in a written response to a Dec., 1988 audit report from Price Waterhouse, assured the Division's Manager of Business and Finance that he was implementing the recommendations made by the auditor to improve the procedures used.

Despite existing policy directives, auditor's recommendations, and letters of compliance from the principal, both procedural irregularities and poor judgement regarding disbursements were discovered.

In response to our internal audit and subsequent suggestions of the Price Waterhouse audit, the senior administration initiated a number of further controls and procedural directives. These are found in Policies DIA, DIB, DIC, and Operational Procedures # 01101 through # 04104, with some of the major changes and new items summarized below:

a) Restricting to specific accounts any disbursements to staff, whether for expenses incurred in relation to cocurricular activities, or for honoraria for such activities.

b) Specifying annual dollar limits for staff recognition/appreciation.

c) Restricting the sources of funds which can be used for staff recognition.

d) Requiring two signatures (other than the principal's) for any cheques written to the principal.

e) Strengthening the requirement for signed vouchers and invoices for all disbursements, including referee's fees for student games.

f) Separating school fund accounts from student council funds and parent organization funds.

g) Requiring financial statements for all fund raising drives to be submitted to the Board, and public disclosure of same.

h) Directing that no Division or school funds may be spent on alcoholic beverages.

i) Requiring an annual declaration statement from principals:

   i) Certifying their awareness of all Division policies and regulations regarding school funds
   ii) Acknowledging their responsibility for the proper management of school accounts
   iii) Recognizing that their management of school accounts will form part of their performance appraisal
   iv) Acknowledging their duty to identify in advance any potential conflicts they have with any policies and regulations
   v) Initiating more frequent spot audits of school accounts.

The senior administration appreciates that the Report recognizes these initiatives.

The Report contains further suggestions for including in Division policy more directives defining legitimate purposes for expenditure of school funds. The senior administration, in the best interest of the taxpayers of our community, is very appreciative of these suggestions, which will be carefully reviewed over the coming months for appropriate policy recommendations to the Board. As noted, the Division has already increased the frequency of audits of school funds, to ensure compliance with the required procedures. The senior administration is confident that, through policy improvements and increased vigilance, the kind of anomaly experienced at John Taylor will remain an isolated incident.

2. Department of Education and Training

We recommend that the Department of Education and Training:

- ensure that appropriate policies and procedures are in place in the school divisions for accountability and control over school funds.

- work with the school divisions to ensure that appropriate accountability systems have been established for school funds. The school funds should be subject to

rotational audit with financial statements available for public review.

Comments of Department of Education and Training Officials

The Department will examine the issue of school fund accounting in conjunction with the education community. The Department will issue guidelines to school divisions on school fund accounting and ensure that appropriate procedures are in place for accountability of school funds.

Office of the Provincial Auditor
April 29, 1991

Exhibit 1

Overview of the Enrolment Reporting Process

At John Taylor Collegiate

John Taylor Collegiate uses the Columbia computer software package for its student records. The Columbia software package handles virtually all of the school's student record management, including registration, enrolment, student scheduling, attendance, academic progress, cumulative records and data base management. Each year a student record file is built by bringing forward the previous year's grade 10 and 11 student records, and entering the current year's student registration data. The Columbia software package contains a roll forward feature which brings forward the previous year's grade 10 and 11 students into the new student record file. This feature advances students into the next year's grade and rolls out students graduating from grade 12. The current year's registration data is entered into the new student record file from registration forms, which are completed by both new and returning students. The new student record file is the information source for the enrolment reports.

The school produces a student roster. The student roster is a listing of the enroled students in the student record file. After the school determines the students who did not show up for school, the roster is updated to delete students who registered but are not attending. An updated roster is produced as at September 30 and is used to prepare the enrolment report to the Department of Education and Training. The listing shows the students' age, grade, sex and name. This information is manually summarized and entered on the enrolment report to the Department of Education and Training. Procedures were implemented in the 1990 school year for the teachers to count the students and certify their class lists. This detailed verification of the students is checked against the enrolment report.

The Principal reviews the enrolment report and the student listing, and signs the enrolment report certifying that to the best of his knowledge and belief, the information furnished is true and correct and in accordance with the laws and regulations of the Province of Manitoba. The enrolment report and student listing are then forwarded to the school division's Secretary Treasurer.

There is a large volume of reports and supporting information to review for all the schools in the division. A member of the division's staff reviews the enrolment report and the student listing, and signs the report on behalf of the Secretary Treasurer certifying that to the best of his knowledge and belief, the information furnished is true and correct and in accordance with the laws and regulations of the Province of Manitoba.

The school division summarizes the enrolment information for all of the schools in the division on the superintendent's report to the Department of Education and Training. This report lists the total enrolment in the division, by grade and school. The superintendent's report, schools' enrolment reports and student listings are sent to the Department of Education and Training.

The Department of Education and Training checks the enrolment report to ensure it is signed by the officials and the student listing has been correctly summarized. The

Department also recalculates the total enrolment for the division, as reported on the schools' enrolment reports, and compares the total to the enrolment reported on the superintendent's report. The school division's enrolment information is then entered into the Department's computer system. A Provincial enrolment summary is produced which summarizes the student enrolment for all school divisions and school districts in the Province. The Provincial enrolment summary is used in calculating the education support grants.

Exhibit 2

Meetings and Interviews

We had meetings and interviews with the following individuals in connection with the John Taylor Collegiate enrolment audit:

- Deputy Minister, Department of Education and Training
- Assistant Deputy Minister, Administration and Finance, Department of Education and Training
- Director, Internal Management Audit, Department of Education and Training
- Director, Schools Finance Branch, Department of Education and Training
- Assistant Director, Schools Finance Branch, Department of Education and Training
- Coordinator, Program Analysis and Development, Schools Finance Branch, Department of Education and Training
- Chairperson, St. James-Assiniboia School Division No.2
- Director of Education and Secretary Treasurer, St. James-Assiniboia School Division No.2
- Superintendent of Secondary Schools, St. James-Assiniboia School Division No.2
- Principal, John Taylor Collegiate
- Vice-Principal, John Taylor Collegiate
- Head Secretary, John Taylor Collegiate
- Computer Operator, John Taylor Collegiate
- Former Principal, John Taylor Collegiate
- Former Computer Operator, John Taylor Collegiate
- Principal, Spring Valley Junior High (central site support for Columbia computer system)
- External Auditor of St. James-Assiniboia School Division No.2
- Senior Crown Council, Public Prosecutions, Department of Justice

MANITOBA

FUNDING OF SCHOOLS

JANUARY - JUNE

1990

FUNDING OF SCHOOLS

January - June, 1990

Prepared by:

Schools' Finance Branch
Manitoba Education
and Training
511-1181 Portage Ave
Winnipeg, Manitoba
R3G 0T3
June, 1989

TABLE OF CONTENTS

	Page
Preface	2
Introduction	3
Changes in Funding	4
Public Schools Finance	5
A. The Support Program	5
Background to Support Program	5
Categorical Support	6
Transportation Support	6
Special Needs Support	6
Vocational Industrial Support	8
English as a Second Language Support	8
Language Development for Natives Support	8
Curricular Materials Support	9
Small Schools Support	9
Bilingualism Support	9
Early Identification Support	9
Heritage Language Support	10
Loss of Treaty Indian Enrolment Support	10
Inner City Support	10
Compensatory Support	11
Block and Equalization Support	11
Weighted Enrolment	11
Net Operating Expenditures	11
Supportable Expenditures	12
Block Support	12
Equalization Support	12
Guaranteed Support	12
Capital Support	13
Financing	13
B. Other Support & Other Revenues from Manitoba Government	13
C. Other Revenues	14
D. Special Levy	14

PREFACE

This brief summary is intended to be an easy-to-read reference guide describing the funding of Education in Manitoba for January - June, 1990. In cases of dispute, the Public Schools Act and Manitoba Regulations remain the legal reference.

If additional or more complete information is required, the reader should refer to the legal documents.

INTRODUCTION

The eighteen month period from January 1, 1989 to June 30, 1990 is a transition period for school divisions. Prior to January 1, 1989, budgeting was on a calendar year basis. Commencing July 1, 1989 budgeting will change to a school year basis.

Funding remained on a calendar year basis until December 31, 1989. Funding for the six months ending June 30, 1990 ends the transition period. In future, both budgeting and funding will be on a school year basis.

The allocation of the eighteen months support to the eighteen months expenditures is as follows:

January to June, 1989

60% of the support for the calendar year 1989, or a percentage greater than 60% if the school division deems it necessary to allocate more of its 1989 support to the first six months of 1989.

July 1989 to June, 1990

a) 40% of the support for the calendar year 1989, or less, if the school division has absorbed more than 60% of the 1989 support in the first six months of 1989, and

b) 100% of the support for January to June, 1990.

CHANGES IN FUNDING
January - June, 1990

PUBLIC SCHOOLS

1. Categorical Grants are based on the current formulas with 60% of the amount calculated being made available for January - June, 1990. The exceptions are Small Schools, Compensatory and Early Identification support. These grants are determined on a school year basis and the amount available in January - June, 1990, is the total grant for 1989/90 less the amount expended in the fall term, 1989.

2. Supportable Expenditures are determined using the current formula and the financial period January - June, 1989. Supportable expenditures may not increase more than 5% per pupil over 60% of supportable expenditures for 1989.

3. 1989 Government Support To Education Program

   (i) Block support is the lesser of:
   a) 60% of $2,280 per weighted pupil, and
   b) 60% of supportable expenditures,

   (ii) Equalization support is supportable expenditures less categorical and block support multiplied by the equalization factor of:

$$1 - \frac{\text{BAPP (Division)}}{\text{BAPP (Province)}}$$

   where the Balanced Assessment Per Pupil (BAPP) for the province is $30,827.

   The total block and equalization support may not exceed 60% of the 1989 block, equalization and guaranteed support per pupil, increased by 10%, multiplied by the 1990 eligible enrolment.

4. Minimum Support

   The minimum support is 60% of the greater of:

   (i) the block, equalization and guaranteed support in 1989 increased by 2%, and
   (ii) the block, equalization and guaranteed support per pupil in 1989 increased by 4.5% and multiplied by the 1990 eligible enrolment.

5. The Education Support Levy mill rates for 1990 are at the present time still to be determined. As soon as the 1990 balanced assessments (based on current market values) are known, the mill rates will be determined as per Section 181(2) of the Public Schools Act.

PUBLIC SCHOOLS FINANCE
January - June, 1990

Manitoba's 47 school divisions and 6 remote districts are provided with substantial revenues from the support program and also derive revenue from other support, other revenue and a special levy on real property.

A. THE SUPPORT PROGRAM

The Support Program is established by the Provincial Government in the Public Schools Act and in related regulations, and is administered by the Public Schools Finance Board. The Program is comprised of the following five main components:

1. Categorical Support
2. Block Support
3. Equalization Support
4. Guaranteed Support
5. Capital Support

BACKGROUND TO THE SUPPORT PROGRAM FOR JANUARY - JUNE, 1990

The Support Program for January - June, 1990 completes the transition period in which the fiscal year for school divisions was changed from a calendar year to a school year.

The support for January - June, 1990, along with 40%, or the portion of the 1989 calendar year support allocated by the school division for the fall term, 1989, provides funding for the fiscal year July 1, 1989 to June 30, 1990.

The calculations for January - June, 1990 are based on enrolments for September 30, 1989. Since the funding is being announced prior to September 30, 1989, initial information has been developed based on projections. Once actual enrolment has been determined the support calculation will be revised. The actual enrolment revision should be made prior to December 31, 1989. These changes will relate to enrolment and other statistical or financial data submitted by school divisions. The formula will not change.

Similarly, the highest balanced assessment per pupil in the province has been estimated to be $30,827 based on the present method of determining balanced assessments. Once balanced assessments and eligible enrolments have been finalized, the highest balanced assessment per pupil in the province may change. Every effort will be made to advise school divisions of this and other changes as soon as the data is finalized.

CATEGORICAL SUPPORT

ELIGIBLE ENROLMENT is the enrolment on the preceding September 30th less non-supportable pupils.

1. TRANSPORTATION SUPPORT includes:

   (a) 60% of $410 for each transported pupil, plus

   $.85 per loaded kilometer for distances per bus route in excess of 80 loaded kilometers per day,

   but may not exceed the transportation expenditures.

   A transported pupil is defined briefly as a pupil who lives farther than one mile from school and who does not reside in a city, town or village.

   (b) Board and room, for pupils attending schools in another school division, 80 or more kilometers from their home, for programs not offered in their own school division, is provided up to $400 per month, but not exceeding the actual cost.

2. SPECIAL NEEDS SUPPORT is 60% of the total of (a), (b), (c) and (d) but may not exceed the total expenditures for special needs.

   (a) Coordinator and Clinician support based on the number of eligible units determined by dividing the eligible enrolment for 1984, 1985, 1986, 1987, 1988, 1989 or 1990 whichever is the greatest, by 900 and adding one for any remainder, or the number of qualified personnel employed, whichever is the lesser,

   multiplied by: $34,100 for one coordinator and

   $31,000 for each remaining clinician plus an additional 10% for administration in divisions which provide their own services.

   (b) Level I support based on:

   (i) the number of eligible units, and
   (ii) the grant per eligible pupil as determined in the following schedule:

ELIGIBLE ENROLMENT	NUMBER OF ELIGIBLE UNITS	GRANT PER ELIGIBLE PUPIL
Greater than 1600	Divided by 160 (calculated to the nearest one-tenth)	$20
1600 or less but greater than 1200	10	$20
1200 or less but greater than 900	8	$50
900 or less but greater than 600	6	$80
600 or less but greater than 400	4	$110
400 or less but greater than 200	2	$140
200 or less but greater than 100	1	$170
100 or less	0	$200

The grant is the number of eligible units or the number of qualified personnel employed, whichever is the lesser, multiplied by $23,000 plus the grant per pupil multiplied by the eligible enrolment for the division.

Personnel employed as special, resource, occupational entrance teachers or as teachers of the gifted for 100% of their time are included. If so desired, three teacher aides may be employed instead of one qualified teacher.

The maximum number of occupational teachers which may be supported is the total number of eligible units divided by 10 and if there is any remainder add 1.

(c) Level II support based on $6,600 for each pupil who is severely multi-handicapped, severely psychotic or autistic or profoundly deaf.

(d) Level III support based on $13,200 for each pupil who is profoundly multi-handicapped.

Although in (c) and (d), support is initially determined based on the number of pupils enrolled on the preceding September 30th, support is adjusted to ensure that additional pupils identified on January 1st of the current year receive funding.

3. VOCATIONAL INDUSTRIAL SUPPORT is 60% of the total of:

(a) the number of eligible units determined by dividing the full-time-equivalent enrolment in vocational industrial programs by 15 and adding one for any remainder, and includes one unit for a vocational coordinator in the Red River Vocational Area, or the number of qualified personnel employed, whichever is lesser, multiplied by $23,000, and

(b) the number of eligible units determined by dividing the enrolment in cooperative vocational education programs by 15 and adding one for any remainder, or the number of qualified personnel employed, whichever is lesser, multiplied by $23,000, and

(c) the number of eligible units determined by dividing the full-time-equivalent enrolment in South Winnipeg Technical Centre by 15 and adding one for any remainder or the number of qualified personnel employed, whichever is lesser, multiplied by $23,000,

but may not exceed total expenditures of the programs.

Full-time-equivalent enrolment means one-half of total enrolment.

4. ENGLISH AS A SECOND LANGUAGE SUPPORT is 60% of:

the full-time-equivalent English as a Second Language enrolment on the preceding September 30, multiplied by $660, but may not exceed the expenditures for salaries, supplies and equipment, in the English as a Second Language Program. Enrolment in Hutterian schools may be included.

5. LANGUAGE DEVELOPMENT SUPPORT FOR NATIVES is 60% of the total of:

(1) the full time equivalent enrolment in the Language Development for Natives Program on the preceding September 30 to a maximum of 1.5% of eligible enrolment multiplied by $660, and
(2) the full time equivalent enrolment in the Language Development for Natives Program on the preceding September 30 in excess of 1.5% of eligible enrolment multiplied by $390

but may not exceed the expenditures for salaries, supplies and equipment in the Language Development Program for Natives.

"Native" refers to pupils of native ancestry but for whose education the Government of Canada or an Indian Band is not responsible.

6. The allowance for CURRICULAR MATERIALS is $24 per eligible pupil, $18 of which must be expended through the Manitoba Textbook Bureau. Any unexpended balance of the $18 remains as a credit at the bureau.

7. SMALL SCHOOL SUPPORT is the lesser of the cost of small schools programming or the total of (a), (b), and (c) less the amount expended in the fall term, 1989, provided that the enrolment of those grades that qualify for support is greater than 15% of the school's total enrolment.

   a) $3,000,

   b) if pupils per elementary grade on September 30, 1988, are:

less than 15	$20 per elementary pupil
15 or more but less than 18	$10 per elementary pupil
18 or more but less than 21	$ 5 per elementary pupil

   c) if pupils per secondary grade on September 30, 1988, are:

less than 50	$70 per secondary pupil
50 or more but less than 53	$35 per secondary pupil
53 or more but less than 56	$17.50 per secondary pupil.

   Schools with less than 100 pupils on September 30, 1988, whose enrolment consists totally of special needs pupils are entitled to support of $3,000.

8. BILINGUALISM SUPPORT is 60% of the support provided in the following categories:

Francais	- FTE pupils x $250
Immersion	- FTE pupils x $250
Basic	- FTE pupils x $100
Conversation	- FTE pupils x $ 50

9. EARLY IDENTIFICATION SUPPORT is funding to assist school divisions in providing appropriate educational programming to children with special needs upon their entrance into school. This involves screening, confirmation of the child's special needs through diagnostic assessment, appropriate educational intervention and evaluation of the child's progress.

   Approvals for funding are made on a school year basis. The amount available for January - June, 1990, is the approvals for 1989/90 less the amount expended in the fall term, 1989.

10. HERITAGE LANGUAGE SUPPORT is 60% of the support provided in the following categories:

Bilingual	- FTE pupils x $250
Basic	- FTE pupils x $100

To receive funding for bilingual heritage language programs, divisions must provide 50% of instruction time in the heritage language.

To receive funding for basic heritage programs, divisions must teach the heritage language for at least 30 minutes a day, five days out of six days.

11. LOSS OF TREATY INDIAN ENROLMENT SUPPORT is provided to school divisions where:

i) the number of FTE Treaty Indian pupils enrolled the preceding year exceeds 3% of the total FTE enrolment, and

ii) the loss of Treaty Indian enrolment from the preceding year to the current year exceeds 25%.

The amount of support is 60% of $2,280 per weighted pupil with the weighted pupils calculated as 10%, 30% and 60% of the decline in Treaty Indian enrolment for the past three years.

12. INNER CITY SUPPORT is provided to school divisions for elementary schools located in a city that have large numbers of pupils from families with low incomes, high mobility, lone parent or from families whose first language is neither English nor French. The support is based on the percentage the number of pupils in each factor is of the eligible enrolment of the inner city school and the average of the four percentages obtained. If the average percentage arrived at is specified in the Table below, the support to be paid per pupil is 60% of that set out opposite the percentage.

AVERAGE PERCENTAGE	SUPPORT PER ELIGIBLE PUPIL
20% or more but less than 27.5%	$200
27.5% or more but less than 35%	$450
35% or more but less than 42.5%	$700
42.5% or more	$950

13. **COMPENSATORY SUPPORT is support for school divisions based on a program which addresses the effect of socio-economic factors on the total school program as well as measures of educational disadvantages and such other special considerations which indicate the *need* for compensatory programs. Proposals submitted by school divisions are reviewed. Actual support earned is the lesser of the approved support and the cost of the approved program. In most cases, school divisions apply for funding on the basis of school level eligibility and programs at a school level.**

Programs are considered where the school's population is from families reflecting a significant percentage of:

- **low income**
- **unemployment**
- **low educational level of parents**
- **mobility or migrancy**
- **single parents**
- **English or French as a second language**

Approvals for funding are made on a school year basis. The amount available for January - June, 1990, is the approvals for 1989/90 less the amount expended in the fall term, 1989.

Compensatory support is not included in categorical support for the calculation of block and equalization support.

<u>BLOCK AND EQUALIZATION SUPPORT</u>

WEIGHTED ENROLMENT - the eligible enrolment is increased by weightings related to:

declining enrolment
economies of scale
northern allowance
teachers' qualifications
teachers' years of experience

NET OPERATING EXPENDITURES for each school division is the total operating expenditures less revenues from:

Institutional Programs
Federal Government
Other school boards
Indian Bands
Private Organizations and Individuals
Municipal Governments (excluding Special Levy but including Mining Revenue)
Other Provincial Government departments
Manitoba Education, excluding appropriation 16-3(a) (except Institutional programs).

The SUPPORTABLE EXPENDITURE for each school division is the greater of:

1) net operating expenditures for the school division for January - June, 1989, or
2) net operating expenditures for the school division for January - June, 1989,

divided by
eligible enrolment for 1989
multiplied by
eligible enrolment for 1990

but in any case can not increase more than 5% per pupil over 60% of supportable expenditures for 1989.

BLOCK SUPPORT is the lesser of:

i) 60% of $2,280 multiplied by the weighted enrolment for the division, and
ii) 60% of supportable expenditures for the division.

EQUALIZATION SUPPORT is supportable expenditures for the school division less block and categorical support multiplied by the equalization factor:

$$1 - \frac{\text{BAPP of the School Division}}{\$30,827}$$

where BAPP denotes balanced assessment per eligible pupil.

The TOTAL BLOCK AND EQUALIZATION support may not exceed 60% of the 1989 block, equalization and guaranteed support per pupil increased by 10% and multiplied by the 1990 eligible enrolment.

GUARANTEED SUPPORT

Divisions that receive greater support from the Minimum Support below, than under the January - June, 1990 Government Support to Education Program, receive a guarantee which is equal to the difference between the Minimum Support and the total of the block and equalization support provided by the January - June, 1990 GSE.

Minimum Support

The greater of 60% of (1) or (2):

(1) The Block, Equalization and Guaranteed support for 1989 increased by 2%, and

(2) The Block, Equalization and Guaranteed support per pupil in 1989 increased by 4.5% and multiplied by the 1990 eligible enrolment.

CAPITAL SUPPORT

CAPITAL SUPPORT consists of the following:

1. support for school construction
2. support for buses used for pupil transportation
3. support for vocational equipment
4. support for major capital projects in the main categories of building programs, upgrading programs and renovations
5. support for minor capital items which is determined for each division as 50% of:

$$\frac{\frac{A}{B} + \frac{C}{D}}{2} \times \$3,500,000$$

where A = sum of ages of active school buildings in the division.
B = sum of ages of active school buildings in the Province.
C = sum of areas of active school buildings in the division.
D = sum of areas of active school division buildings in the Province.

In A, B, C and D, the ages and areas are as of June 30, 1989.

FINANCING

The Support Program in total is financed from consolidated revenues of the province and an across-the-province levy on farm and residential and other property.

The Education Support Levy mill rates for 1990 are at the present time still to be determined. As soon as the 1990 balanced assessments (based on current market values) are known, the mill rates will be determined as per Section 181(2) of the Public Schools Act.

B. OTHER SUPPORT AND OTHER REVENUE FROM THE MANITOBA GOVERNMENT

The Provincial Government also provides other support/revenue towards the operating cost of school divisions. This support/revenue includes grants for Shared Services, Non-Residents, Special Needs (multi-sensory), Institutional Programs, In-Service, as well as Evening School and English as a Second Language for Adults.

C. OTHER REVENUE

School divisions receive other revenue from a variety of sources including the Government of Canada, Indian Bands and Other School Boards.

D. SPECIAL LEVY

The difference between expenditures and revenues for each school division is made up by the special requirement.

The special requirement in the January - June, 1989 budget and a portion of the July, 1989 - June, 1990 budget comprises the 1989 special levy, which continues to be for a calendar year.

The remainder of the special requirement for July, 1989 - June, 1990 and a portion of the special requirement for July, 1990 to June, 1991 will comprise the 1990 special levy.

The special levy is raised on the rateable property within each school division. The special levy mill rates, therefore, vary throughout the province.

If you should desire more details on the funding formula, please refer to Manitoba Regulation 1/86 and amendments.

Exhibit 4

REVISED GRANT FUNDING

BASED ON ADJUSTED ENROLMENT FOR JOHN TAYLOR COLLEGIATE

	Funding January 1, 1989 - December 31, 1989			Funding January 1, 1990 - June 30, 1990			Total Increase (Decrease)
	Original Funding	Revised Funding	Increase (Decrease)	Original Funding	Revised Funding	Increase (Decrease)	
Block, Equalization, Guarantee							
Block	$26,106,912	$26,006,592	($100,320)	$15,048,684	$14,915,441	($133,243)	($233,563)
Equalization	$1,910,548	$1,739,983	($170,565)	$1,140,473	$971,574	($168,899)	($339,464)
Guarantee	$1,149,930	$1,420,815	$270,885	$1,661,286	$1,963,428	$302,142	$573,027
Total	$29,167,390	$29,167,390	$0	$17,850,443	$17,850,443	$0	$0
Categorical Support (1)	$4,625,631	$4,605,698	($19,933)	$2,721,454	$2,717,031	($4,423)	($24,356)
Total Support	$33,793,021	$33,773,088	($19,933)	$20,571,897	$20,567,474	($4,423)	($24,356)

(1) Categorical Support Affected:			
Special Needs	($15,840)	($677)	($16,517)
Curricular Materials	($4,080)	($3,730)	($7,810)
Heritage Language	($13)	($16)	($29)
Total Decrease in Categorical Support	($19,933)	($4,423)	($24,356)

Exhibit 5

REVIEW OF ST. JAMES-ASSINIBOIA SENIOR HIGH SCHOOLS' ENROLMENT INFORMATION

	SCHOOL DIVISION'S INTERNAL REVIEW FINDINGS		PROVINCIAL AUDITOR'S OFFICE'S REVIEW FINDINGS (NOTE)	
ADJUSTMENTS TO 1989 ENROLMENT	NUMBER OF STUDENTS	FULL TIME EQUIVALENTS	NUMBER OF STUDENTS	FULL TIME EQUIVALENTS
John Taylor Collegiate				
Deletions	157	156.33	156	155.33
Additions	Nil		Nil	
Sturgeon Creek Regional Secondary School				
Deletions	15	8.98	44	31.98
Additions	Nil		21	7.00
St. James Collegiate				
Deletions	8	3.97		
Additions	18	6.00		
Silver Heights Collegiate				
Deletions	1	1.00		
Additions	Nil			
Westwood Collegiate				
Deletions	7	7.00		
Additions	Nil			
ADJUSTMENTS TO 1990 ENROLMENT				
John Taylor Collegiate				
Deletions	Nil		12	11.33
Additions	Nil		Nil	
Sturgeon Creek Regional Secondary School				
Deletions	Nil		6	6.00
Additions	Nil		1	.33
St. James Collegiate				
Deletions	3	1.66		
Additions	Nil			
Silver Heights Collegiate				
Deletions	1	1.00		
Additions	Nil			
Westwood Collegiate				
Deletions	1	1.00		
Additions	Nil			

NOTE: The Provincial Auditor's Office examined the enrolment information for John Taylor Collegiate and Sturgeon Creek Regional Secondary School in the course of the enrolment special audit. Comments on the adjustments are included in the enrolment audit report. The other senior high schools were not included in the special audit examination.

Exhibit 6

St. James-Assiniboia School Division No. 2
John Taylor Collegiate

Financial Statement

June 30, 1990

Price Waterhouse

October 26, 1990

Auditors' Report

To the Chairman and Members of the Board of Trustees
St. James-Assiniboia School Division No. 2

We have examined the statement of cash receipts, disbursements and cash balance of John Taylor Collegiate for the year ended June 30, 1990. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

The School derives part of its cash receipts from various school events and activities which are not susceptible to complete verification. Accordingly, our verification in respect of these receipts was limited to accounting for the amounts recorded in the accounting records of the School.

In our opinion, except for the effect of adjustments, if any, had all cash receipts been susceptible to complete audit verification as described in the preceding paragraph, the statement of cash receipts, disbursements and cash balance presents fairly the cash position of the School as at June 30, 1990 and the results of its cash transactions for the year then ended.

Price Waterhouse

Chartered Accountants

St. James-Assiniboia School Division No. 2
John Taylor Collegiate

Statement of Cash Receipts, Disbursements and Cash Balance
For the year ended June 30, 1990

	Receipts	Disbursements	Net Receipts (Disbursements)
Audio Visual Supplies	$ 414.21	$ 505.76	$ (91.55)
Aware	272.39	404.29	(131.90)
Band	13,321.32	15,069.25	(1,747.93)
Bank charges	.90	323.30	(322.40)
Cafeteria	2,850.00	2,327.93	522.07
Choral	200.00	286.24	(86.24)
Developmental education	4,739.84	5,529.38	(789.54)
Drama	39.00	395.66	(356.66)
Driver education	9,200.00	9,200.00	-
Extracurricular activities	1,305.00	3,810.00	(2,505.00)
Fund drive	12,866.32	8,819.15	4,047.17
General	33,796.45	31,932.10	1,864.35
Grad caps and gowns	3,978.00	3,545.26	432.74
Graduation and awards	1,840.00	3,157.84	(1,317.84)
Locks	1,565.00	691.10	873.90
Operetta	4,842.35	4,436.78	405.57
Physical education	43,650.00	49,904.35	(6,254.35)
Postage	387.00	1,947.00	(1,560.00)
Principal's contingency	850.00	856.93	(6.93)
Professional developments	549.00	799.00	(250.00)
Science	15.86	18.73	(2.87)
Student council	16,608.67	4,409.13	12,199.54
Textbooks and periodicals	458.32	-	458.32
Variety	1,057.95	1,243.77	(185.82)
Yearbook	79.00	1,167.40	(1,088.40)
	$154,886.58	$150,780.35	4,106.23
Cash balance, beginning of year			166.08
Cash balance, end of year			$ 4,272.31
Comprised of			
Chequing account			$ 4,272.31

Approved by the Principal _____

Chartered Accountants

2200 One Lombard Place
Winnipeg, Manitoba
Canada R3B 0X7

(204) 943 7321
Telecopier (204) 943 7774

Exhibit 7

Price Waterhouse

January 28, 1991

Mr. G. B. Buchholz
Director of Education and
Secretary-Treasurer
St. James-Assiniboia School Division No. 2
2547 Portage Avenue
Winnipeg, Manitoba
R3J 0H8

Dear Mr. Buchholz

We were engaged to conduct a special review of the cash disbursements of John Taylor Collegiate for the two year period from July 1, 1988 to June 30, 1990. We have completed this review and provide our report under the following headings:

Specific procedures carried out

- Reviewed the cash disbursements records from July 1, 1988 to June 30, 1990, examined support for payments, and assessed reasonableness of the disbursements.
- Examined bank paid cheques from July 1, 1988 to June 30, 1990, reviewed endorsements and compared endorsements to payees.
- Accounted for all bank paid cheques by reviewing cash disbursement records and the actual paid cheques
- Examined bank statements from July 1, 1988 to June 30, 1990 for alterations.
- Reviewed bank reconciliations from July 1, 1988 to June 30, 1990 for alterations and unusual reconciling items.
- Identified and listed 295 cheques made payable to the school principal or school staff, identified as staff advances or in payment of food and beverage. Reviewed these amounts with administration of the division.
- Requested administration and school superintendents to discuss the nature of expenditures where third party support was missing. Discussed and reviewed the written comments made following these interviews.

Findings

As a result of applying the above procedures we did not identify any transactions that would, in our opinion, warrant their referral to legal counsel in order that charges of fraud or misuse of funds be considered.

The nature of certain transactions were documented by the Principal or the Secretary on the cheque requisition at the time of issue but were not ultimately supported by supplier invoices or receipts. The additional explanations obtained for these items confirmed the original expenditure.

School Division policy (current code DIB, July 22, 1980, section 2) gives the school (through the Principal) complete jurisdiction over funds raised through activities at fund drives or cafeterias and allows the school to set its own priorities. We have concluded that this policy was very general, and provided insufficient guidance to the Principal on allowable and appropriate expenditures.

Effective, January 8, 1991, the Board of Trustees of the St. James-Assiniboia School Division No. 2 approved the following changes to its school funds policies and procedures to provide additional guidance.

Changes to policies

- Separation of The Staff Fund and The Parent Council Funds from school funds. All funds are subject to the same procedures and controls - current code DIA, section 1.
- Annual audits of all funds are to be carried out by the Manager of Business and Finance. The Director of Education can require an audit at any time. An audit will always take place in the spring where a Principal is due to leave due to transfer, retirement or resignation - current code DIA, section 2.
- Jurisdiction over school funds outlined in current code DIB, section 2 is now subject to revised operating procedures #00101 to #04104.
- Financial statements must be submitted monthly, current code DIC, section 2.

Changes to procedures

- Limits set for petty cash funds.
- Payments to or on behalf of staff must be charged to one of five predetermined accounts.
- Principal's contingency fund is restricted.
- Monthly reporting required.
- Clarification on the use of the professional development account, the cocurricular account, the lab assistant's/marker's account and the lunch supervisor's account.
- Limits set for staff recognition/appreciation account.
- Separation of the staff fund and the parents council funds from school funds.
- Improvements in cheque signing procedures.

On January 11, 1991 we recommended the division consider adopting a procedure that would require Principals and Vice-principals to sign an annual declaration of their awareness and understanding of school funds policies and operating procedures. The declaration would also provide for the disclosure of any potentially sensitive situation and a request for guidance on how to proceed.

Yours very truly,

Price Waterhouse

D. R. W. Chatterley, CA

Chartered Accountants

2200 One Lombard Place
Winnipeg, Manitoba
Canada R3B 0X7

(204) 943 7321
Telecopier (204) 943 7774

Exhibit 8

Price Waterhouse

January 11, 1991

Mr. G. B. Buchholz
Director of Education and Secretary-Treasurer
St. James-Assiniboia School Division No. 2
2574 Portage Avenue
Winnipeg, Manitoba
R3J 0H9

Dear Mr. Buchholz

We recently completed audit examinations of selected school funds for the year ended June 30, 1990. As a result of our examinations we noted several areas where controls and procedures should be strengthened for all schools. The following recommendations are made in order that the School Division may consider changes to their existing policies.

Recommendation 1

All staff should be required to submit expense reports, complete with copies of receipts, to clear advances received.

At present, staff receive cash advances for authorized projects but they are not always submitting documentation supporting the expenditures made. This procedure will help to prevent unauthorized and invalid disbursements.

To effectively implement this procedure it may be necessary to treat all advances to staff as accounts receivable. This would require that a record of advances be maintained and followed up on a regular basis.

An example of an expense report form is attached as Appendix 1.

Recommendation 2

Principals and vice-principals should be required to sign an annual declaration of their understanding of school policies and operating procedures.

Signing the declaration will impress upon the principals and vice-principals the importance of following established policies.

As there have been very significant changes made to policies, it is an opportune time to implement this recommendation.

An example of such a declaration is attached as Appendix 2.

Recommendation 3

Division management should improve the follow-up of reported deviations in operating procedures.

We received written comments from certain principals indicating that the recommendations we made in prior years would be implemented. However, as is evident from our current year's examinations, matters reported in prior years have not always been adequately dealt with.

Management of the Division should be more active in monitoring school principal's responses to recommendations made and actions taken.

Yours truly

Price Waterhouse

Donald R. W. Chatterley, CA

DRWC/gk

encs

Appendix 1

School Name

Expense Report

Staff Name _____ **Date** _____

Invoices & Receipts - copies attached	**Amount**	**Fund Code**

Total expenditures _____

Advance received _____

Balance owing (due) _____

Persons attending school event

_____ _____

_____ _____

Submitted by - sign _____

Approved by - sign _____

Appendix 2

Declaration

To: Manager of Business and Finance
St. James-Assiniboia School Division No. 2

I have received a copy of the Division's policy statements and operational procedures setting forth management policies, internal controls and accounting procedures required for school funds.

I have read these documents and I am familiar with their contents.

I understand the responsibilities which have been delegated to me, and that my annual evaluation will include an appraisal of my efforts in this regard.

I understand that I am to report any potential conflicts with these policies and operational procedures to either the Manager of Business and Finance or the Director of Education.

Comments _____

_____

_____

_____

_____

_____

If there is insufficient space, please continue on the reverse side. (Important: if there is nothing to report, please write "none")

Signature _____

Print name and title _____

Date _____